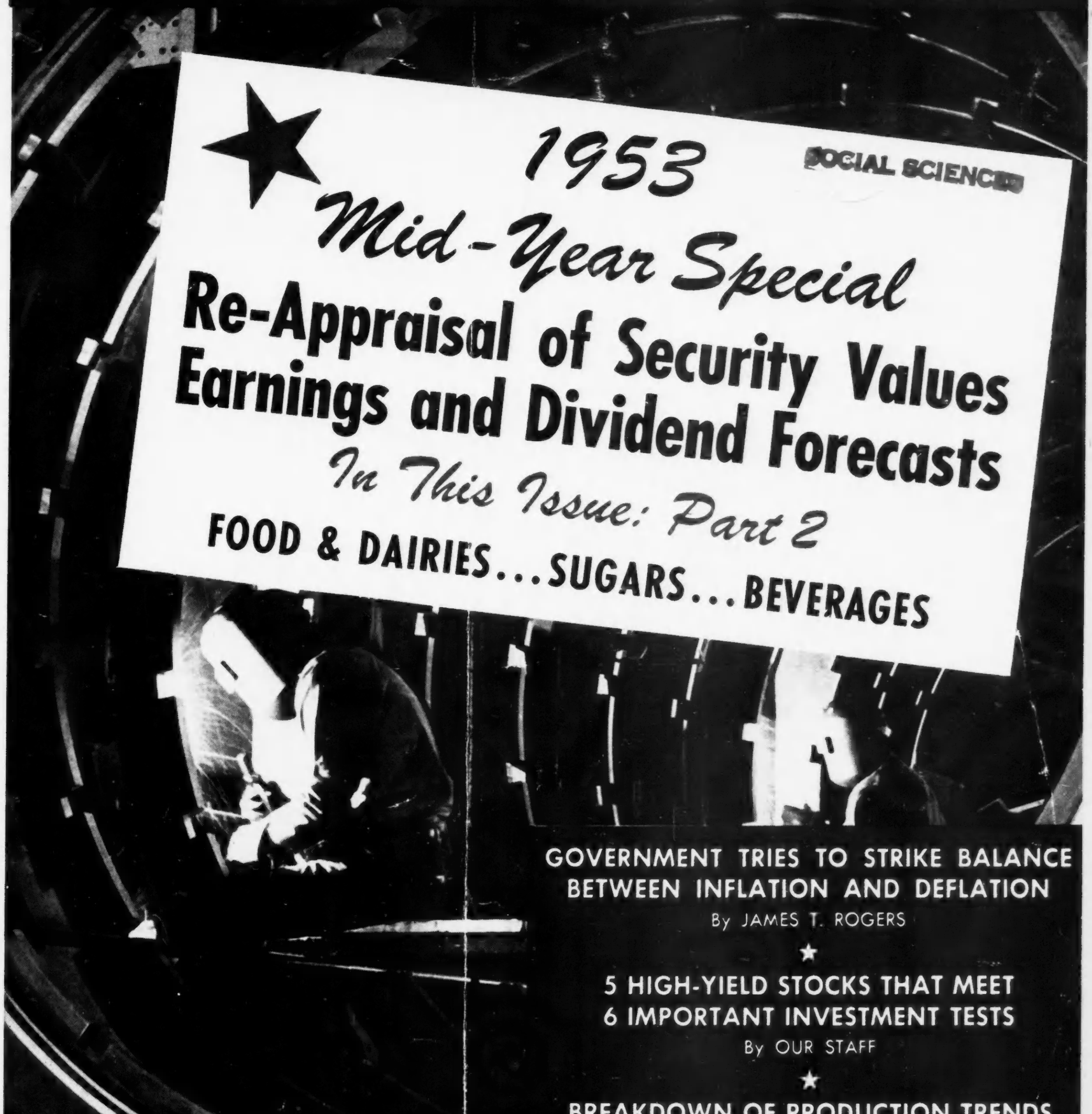
The MAGAZINE of WALL STREET
and BUSINESS ANALYST

JULY 25, 1953 85 CENTS

MARKET IN ORDERLY RETREAT!



★ 1953 Mid-Year Special

Re-Appraisal of Security Values Earnings and Dividend Forecasts

In This Issue: Part 2

FOOD & DAIRIES... SUGARS... BEVERAGES

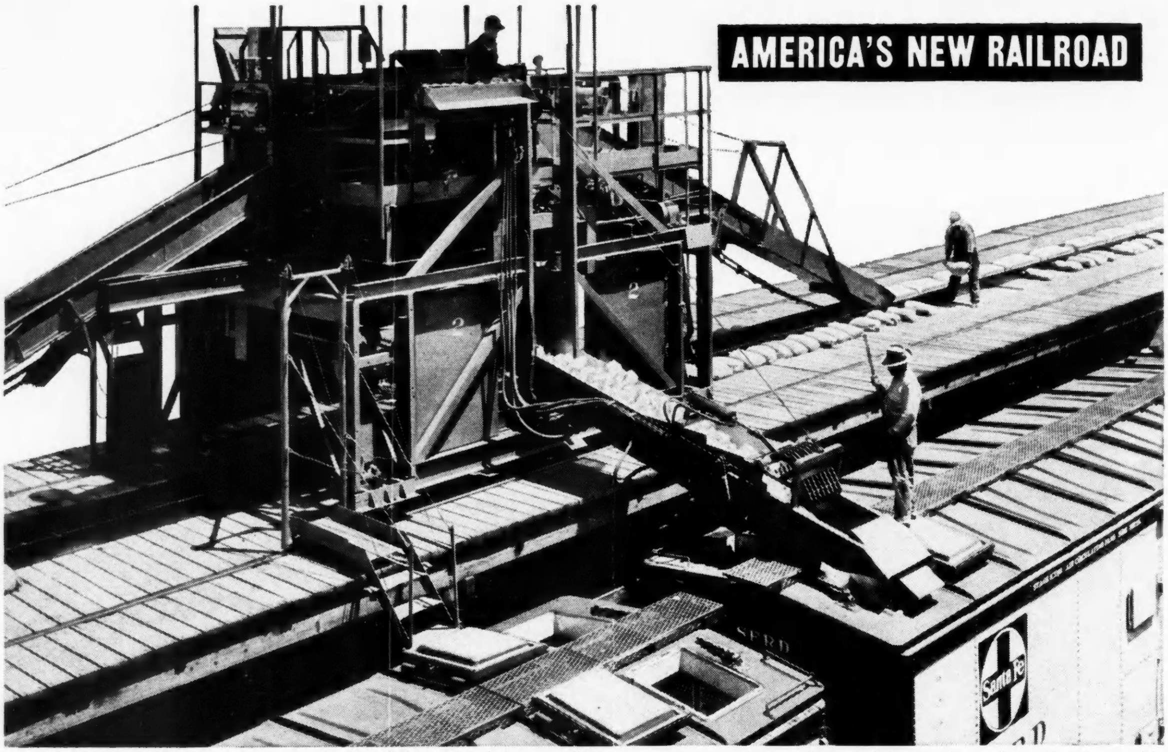
GOVERNMENT TRIES TO STRIKE BALANCE BETWEEN INFLATION AND DEFLATION
By JAMES T. ROGERS

★

5 HIGH-YIELD STOCKS THAT MEET 6 IMPORTANT INVESTMENT TESTS
By OUR STAFF

★

BREAKDOWN OF PRODUCTION TRENDS IN INDIVIDUAL INDUSTRIES
By J. C. CLIFFORD



15 of these big icing machines are in operation at ice-servicing points along the Santa Fe.

Ever see so much fuss just to chill an orange?

It's the best way there is today to refrigerate a "reefer"—but Santa Fe is developing an even newer and better way to do the job

In 60 seconds flat, the giant ice-crushing machines Santa Fe recently installed can fill the bunkers of a refrigerator car with five tons of ice!

They are the newest and fastest machines for icing cars yet devised.

And Santa Fe "reefers" are the most efficient type of refrigerator cars now on the rails.

These refrigerator cars and these icing machines have carried the technique of refrigeration with ice to the ultimate of present day knowledge.

WHAT ABOUT TOMORROW?

We can't be sure, BUT—

Santa Fe is now experimenting with a newer way to refrigerate cars automatically for hauling foods which may require temperatures as low as 25° below zero.

30 new experimental refrigerator cars designed by Santa Fe, built in its own shops and each with a capacity of 128,000 pounds of frozen foods, are now being utilized in the movement of frozen foods.

Each of these new cars has its own thermostatically-controlled diesel-driven compressor-type refrigerator unit. It carries 400 gallons of fuel (almost the exact amount Lindbergh used to fly the Atlantic). It can maintain sub-zero temperatures all the way from California to New York.

BENEFITS FELT ALL ALONG THE LINE

All along the line, people and communities feel the benefits of this building *new* wherever it actually occurs on the Santa Fe—and day-after-day, something new is done to make "America's New Railroad" a little better.

The millions of dollars this newness costs Santa Fe doesn't cost *you* a single penny in the taxes you pay.

Santa Fe

PROGRESS THAT PAYS ITS OWN WAY

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Vol. 92, No. 9 July 25, 1953

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes the Magazine of Wall Street and Business Aanalyst, issued bi-weekly, and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

Cover Photo by General Electric

SUBSCRIPTION PRICE — $20.00 a year in advance in the United States and its possessions and Pan-America, Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

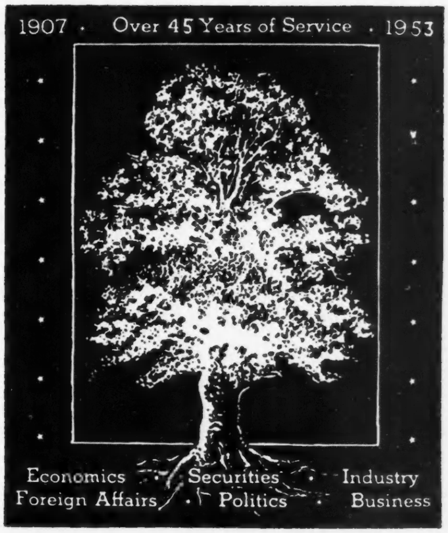
TO CHANGE ADDRESS — Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to your new address.

WEST COAST REPRESENTATIVE, Keenan, Hunter and Dietrich, 235 Montgomery Street, San Francisco 4 and 638 S. Van Ness Avenue, Los Angeles 5, California.

EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London E. C. 4 England.

Cable Address — Tickerpub

THE MAGAZINE OF WALL STREET
C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

KOREA AND AFTER . . . As we go to press, news from Korea indicates that an armistice is on the verge of being signed. The question now is: what will be the effects on business and investments? The answer will have to be sought in the degree to which world tensions are relaxed as a result of the end of the shooting. If the relaxation is material and, consequently, a more normal period than the present ensues, the traditional competition for trade between the nations is likely to increase. This is not necessarily an adverse factor, and, indeed, with effective international cooperation on a governmental level, could conceivably lay th ebasis for a sounder world economic position than exists at present. This is the challenge. Will we make the most of it?

THE SITUATION MUST BE SQUARELY FACED . . . The American people must face up squarely to the implications of chronic national deficits. In the final analysis, it makes very little difference which Administration is in power—New Deal, Fair Deal or Republican—if huge, yearly deficits become a fixed pattern in our fiscal affairs. It makes no difference, either, whether the deficits are incurred through soft money policies or war, as in the Roosevelt Administration; through heavy use of public funds for political reasons, or defense against potential war, as in the Truman Administration; or through inheritance of impossible financial tasks, as in the Eisenhower Administration. The results are the same; unbalanced budgets and immense deficits.

Despite plentiful proof of the harm that continued deficits are doing to the country, the people still do not appreciate the general danger. It is not that they do not understand that deficits breed inflation. It is rather that they have gotten into the habit of thinking they can solve their own problem through higher wages or prices, higher rents or higher fees for their services. This, of course seems a tempting means of escaping from the financial squeeze but fundamentally it can confer only a transitory benefit to those who receive it, at the same time taking a terrible toll of the nation.

We have committed the unpardonable folly of temporizing with the problem of national deficits, but time is running out and we must now finally do what must be done. Since we are at the absolute limits of taxation, the only solution is a remorseless pruning of expenditures. In other words, we must stop spending beyond our capacity to pay. There is no doubt that this is much easier to say than to do, as the accomplishment of this vital end runs counter to assorted powerful interests who have lost sight of the need for maintaining a strong governmental financial structure in prosecuting their own individual aims. Since each group now claims that the way to solvency lies through (*Cont. next page*)

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

cutting all expenditures but its own, it is obvious that real progress towards balancing the budget will never be achieved as long as these groups are permitted to exert a predominant influence on the appropriations which concern them.

The axe must fall on all. The items of expense must be pared and the total brought to within manageable proportions. The procedure is a harsh one and requires steady nerves from the Administration. Though it has already taken some measures to cope with the problem, it must be admitted, they seem small in scope compared with what must be done. Perhaps there is not enough pressure from the public at large. If that is the case, it behooves all of us to raise our voice and tell the government that we not only understand the dangers of an unending series of deficits but that we are prepared to make whatever sacrifices are necessary to put an end once and for all to this financial monstrosity.

WHAT ARE PROFITS? . . . In recent weeks there have been two conspicuous attacks on the profits of American industry—one of theme to be expected, the other something of a surprise.

Walter Reuther, president of the United Automobile Workers, warned the nation that disaster was the only alternative to maintaining the present all-out boom. His recipe for maintaining it was a constant, deliberate erosion of profit margins in favor of maintaining or increasing the real wages of labor.

Rep. Heselton (Rep., Mass.) violently denounced oil companies for the recent Eastern Seaboard rise in the price of gasoline. He waved aside their assertions that they had a right to restore the profit margins reduced by wage rises and higher oil costs, and threatened to press for a federal commission to fix prices of oil products.

When misapprehension of the nature and function of profits is so widespread, perhaps it will not be out of place to reassert some facts which should be axiomatic in a nation founded, as is ours, on the profit system:

1. Profit is the reward of enterprise, as wages is the reward of labor. When profits cease, enterprise will behave as labor behaves when wages cease.
2. Profit directs labor, capitol and enterprise to where they can cooperatively do the most good.
3. The distinction between production for profit and production for use is imaginary. Sales—and profits—arise when a company's or an individual's output is found useful to consumers.
4. The share of corporate profit in the national income is remarkably low considering the motive force it supplies. In 1952 the $17.0 billion of corporate profits was 5.5 per cent of the $290.4 billion of national income.

Without profit, our great industrial machine must first stop carrying us to an ever-higher standard of living, then retrogress toward bare subsistence in a peasant economy. While there are such emergencies as war, when profits in some small segments may need to be curbed to spread sacrifices evenly, the burden of proof must always be on anyone who proposes limitation of profits as an ordinary weapon of policy. It is a gun which kicks much harder than it shoots.

In a word, profit is the INCENTIVE factor in the price system, and the price system in the free market is the only system ever devised for giving every consumer his voice in production. When Lenin was just an exiled theoretician on economics, he wrote confidentially that administration of socialized industry would be "within reach of anyone who could read and write, and knew the first four rules of arithmetic," because "accounting and control have been simplified by capitalism to the utmost."

He forgot that to work its beneficient miracles the price system must be free. When he destroyed its freedom, he had to turn for incentive to the slave labor camp and the fear of Siberia. Let us beware of shackling the giant which does so much for us for so little reward. We shall not like what we get in exchange.

ROCK-SEAWATER-SUNLIGHT-ECONOMY . . . The year 2000 is not so far away but that a recent authoritative estimate that the world population would reach 5 billion by then does not hold the greatest interest for all of us. The report strongly intimates that at the rate world population is increasing, at the same time that field, forest and water resources are being depleted, these natural resources will be inadequate to support humanity at the end of the century. In order to minimize this enormous hazard, the report suggests that in addition to limiting population growth, an intensive "rock-seawater-sunlight" economy be developed. This means that man must learn how to tap on an undreamed of scale "natural resources from minerals deep under the earth's crust, and in the ocean and through the sun's energy."

With scientists already thinking along these lines, it is most probable that a new technology will have to be developed in coming years to cope with these vast aproaching problems. It may even come to pass that future generations may judge us more by our capacity to anticipate and deal with the basic physical problems which are just commencing to emerge and whose outcome will have an immense ultimate effect, than by our success or failure on to-day's world political chessboard.

DISLOCATION IN WORLD TRADE . . . The recent statement from Geneva by the Secretariat of the General Agreement on Tariffs and Trade is immensely important in tracing the nature of the vast changes in international trade since World War II. As the report indicates, these changes are not so much due to transitory phenomnea (the struggle between East and West, for example) but to more fundamental considerations relating to the fostering of trade autarchy among the nations.

In the attempt to gain self-sufficiency, nations have imposed regulations governing trade control to an unbelievable degree. It is signficant that some controls, originally deemed to be only of a temporary nature, have been in existence as long as fourteen years. In other words, it is much easier for governments to impose trade controls than to terminate them once they have been in operation. The result is a massive conglomeration of trade controls of many kinds which have affected all nations without exception, though to varying degrees. Among such can be mentioned: exchange controls, regulations to protect vulnerable industries, (*Please turn to page* 000)

As I See It!

By JOHN CORDELLI

PURGING THE PURGERS IN RUSSIA

Most of the comments that we have seen on the mystery-shrouded struggle for power in the Kremlin agree that the shocks to the Soviet dictatorial system are bound to weaken Russia's position as one of the world's two super-powers. The danger to world peace is seen as diminishing—at least temporarily—and some commentators have made sanguine predictions that the purge of Lavrenti P. Beria, the Deputy Premier and Minister for Internal Affairs, may be the beginning of the end: a gradual disintegration of the Soviet Empire which is being held together as were the Empires of Ghengis Khan and of Timurlane by armed power and terror.

We sincerely wish that all these anticipations will prove correct for the sake not only of the Free World, but also of the peoples enslaved by Kremlin rule. Unfortunately we cannot subscribe to these views. During the past thirty-six years the Soviet Empire has reeled under even greater shocks and yet somehow survived. The gallery of purgees includes names as prominent as that of Beria: Trotski, Bucharin, Kameneev, the old Bolshevist guard, Yagoda and Yezhov of the secret police, and such powerful army leaders as General Tukhachevsky. It was predicted back in 1937 that the Red Army would never be the same reliable force after the purge of some of its best top officers—yet the wartime record proved the prediction wrong.

As a matter of fact most of the purges in the past were followed by periods of tougher policies during which the then rising dictator, Stalin, would strengthen his grip, reward his faithful henchmen, and remove the appointees of his rivals. We may expect the victorious Mr. Malenkov to follow the old pattern: show to the satellites and to the non-Russian minorities that the Kremlin is still the boss, and that the struggle for power does not mean any weakening of the Russian military might, and that, in short, no nonsense will be tolerated. The rebellious East Germans are already being treated to a show of Russian military might.

"LIFE ABOARD THE AMMUNITION SHIP"

Dowling in the N. Y. Herald Trbune

And so we could presumably end by concluding that Mr. Malenkov has proved to be a more astute strategist than Mr. Beria and that he is on the way of consolidating his power. That possibly might be the case and the Soviet Empire may give the appearance of weathering another crisis—except . . .

Except . . . that the struggle for power may have got on the way too soon – even allowing for the fact that the East German revolt demanded a scapegoat and that the struggle for power may have begun long before Stalin was enshrined in the Red Square. Mr. Malenkov evidently controls the communist party organization and the bureaucratic machine. But, Mr. Malenkov could at this early date hardly have tested successfully the loyalty of his supporters against Mr. Beria's forces which include a vast police force numbering millions and possessing their own artillery, tanks and planes, and an equally vast espionage apparatus. Mr. Malenkov could have hardly won this struggle if it had not been for green light from an organization which possesses even more naked power than Mr. Beria's police force. That organization is the Red Army.

Now why would the Red Army generals support Malenkov against Beria? The reasons are many and one cannot but suspect (*Please turn to page* 532)

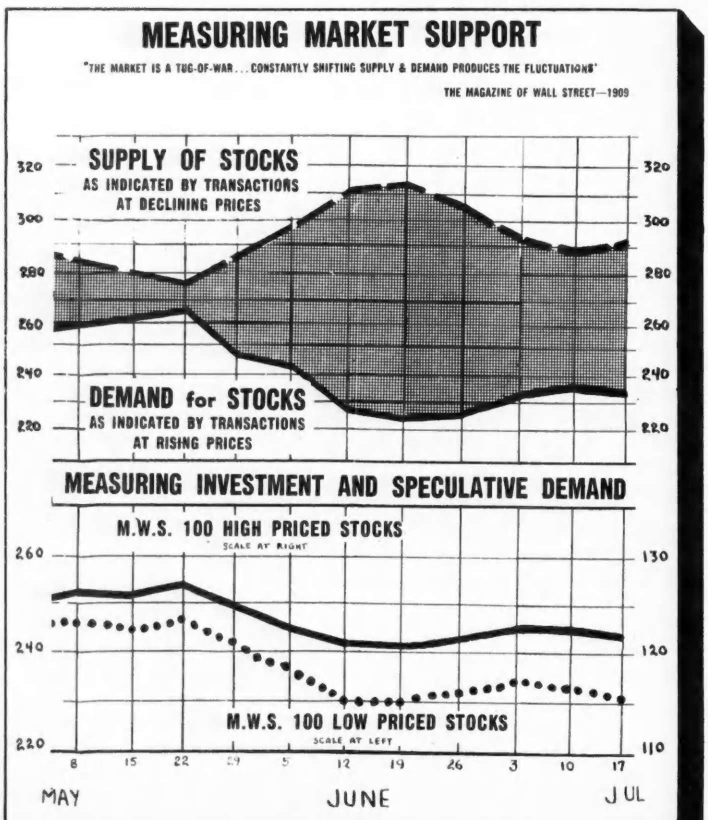
Market in Orderly Retreat

Few outstanding stocks in market characterized by narrow swings on limited volume. Investors still waiting for more conclusive evidence as to business future and therefore favor cautious attitude. The wisest policy is to emphasize selectivity and maintain adequate reserves as long as uncertainty continues.

By A. T. MILLER

The market of the past fortnight was characterized by a minimum of daily transactions, volume on July 17, for example, sinking to 790,000 shares the lowest in a year. At the same time, a sidewise movement in the Dow Jones industrial averages 270.88 on Monday, July 6 to 269.74 at the close of today's business gave witness to the fact that the market is still in a testing stage and that investors and speculators continue to pursue a wait-and-see policy. The same absence of demand during the period was indicated by a slight decline in the railroad averages from 107.03 to 105.48, and a gentle ebbing in the utility averages from 49.24 to 49.01.

The low volume of transactions highlights lack of pressure in a period of mildly lower quotations for individual issues. Actually, while demand has remained more or less constant—though at restrictive levels—supply has shrunk even more, as indicated by the accompanying chart. The conclusion drawn from this is that while speculative activity is at an absolute minimum, except for a few isolated instances, such as the recent move in Douglas Aircraft, there is just about enough investment demand, in combination with a shrinking of supply, to hold the market for the time being in a state of relative balance.

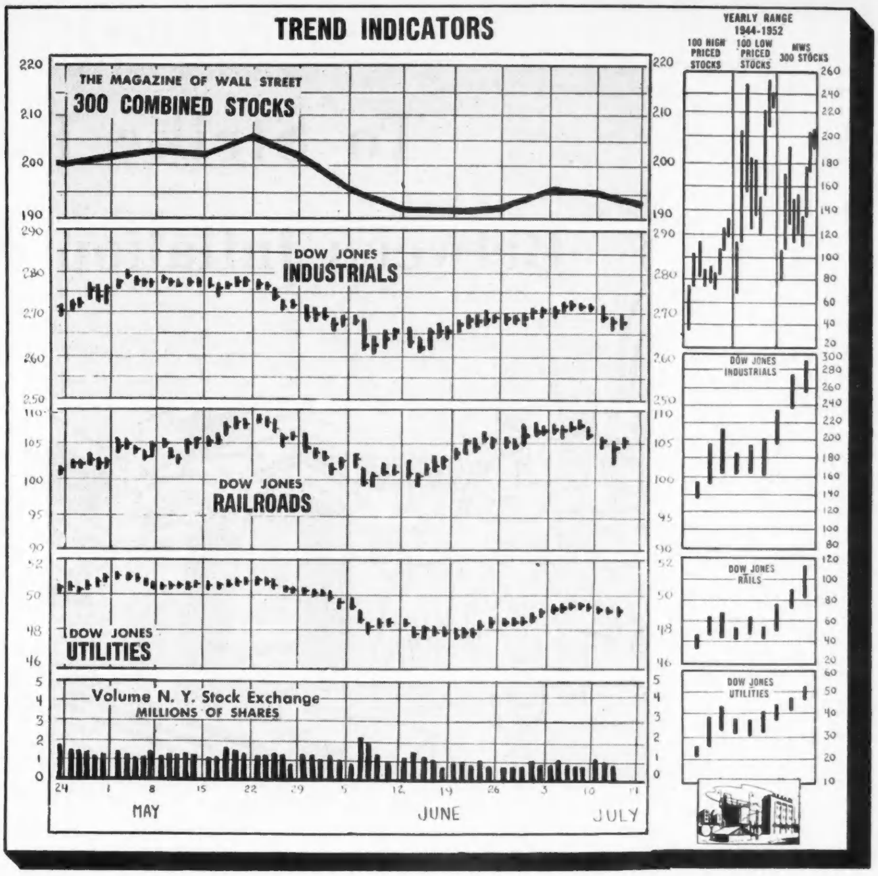


However, it should be pointed out that the dearth in the daily volume of transactions is producing a state of unusual "thinness" in the market, so that any concerted buying (or selling) of only a few thousand shares in a single issue may result in unusual fluctuations. Such a situation, as the past proves, can lay the foundations for a violent if brief movement in either direction on an unexpected and important news development. In such an event, the soundest policy for speculators, at least, would be to wait for such a move to exhaust itself before taking any specific position. If a major turn should be in the making, there would still be time for taking action after such a change is definitely confirmed. If one could foretell news developments of such importance, one could benefit strikingly but this, of course, would presuppose clairvoyance.

Earnings and Stock Prices

On the more fundamental side, it is obvious that the market is paying very little attention to the favorable second quarter and first half earnings reports now being issued. Except where sensational earnings gains were made, as in the case of Douglas, publication of increased earnings has had practically no effect on the price of the individual shares concerned.

Investors are commencing to think in



terms of third and fourth quarter earnings reports and enterprising ones are even trying to look ahead to the early part of next year. With little conclusive evidence at hand as to the precise nature of future trends since they are fundamentally bound up with the vital question of the possibility of peace with Russia, it is understandable that investors should wish to stick to the sidelines for the time being until more light can be had.

While the general concensus of opinion is that the business boom is over, more attention is being paid to the prospect that tax relief will be forthcoming next year. This factor is considered an offsetting influence to the decline that may materialize in industries now at capacity operations. The reasoning is that though the volume of operations may be somewhat lower, the expected cut in taxes will act as a cushion to profit margins. There is the further expectation that cuts in operating volume will be mainly in the older and more obsolete plants and that even if operations are reduced below capacity, a reasonable level of profits can be obtained through large-scale utilization of the newer and more efficient plants.

From this, it may be deduced that a new foundation is being laid for future selectivity in the market. From the investor's viewpoint, the soundest stocks to hold or buy are those issues which represent companies with the largest aggregation of modern and efficient plants. Undoubtedly, this will be an important factor in future evaluation of common stocks and their earning power. The importance of this factor is likely to emerge more clearly as the competitive conditions at hand become more intensified.

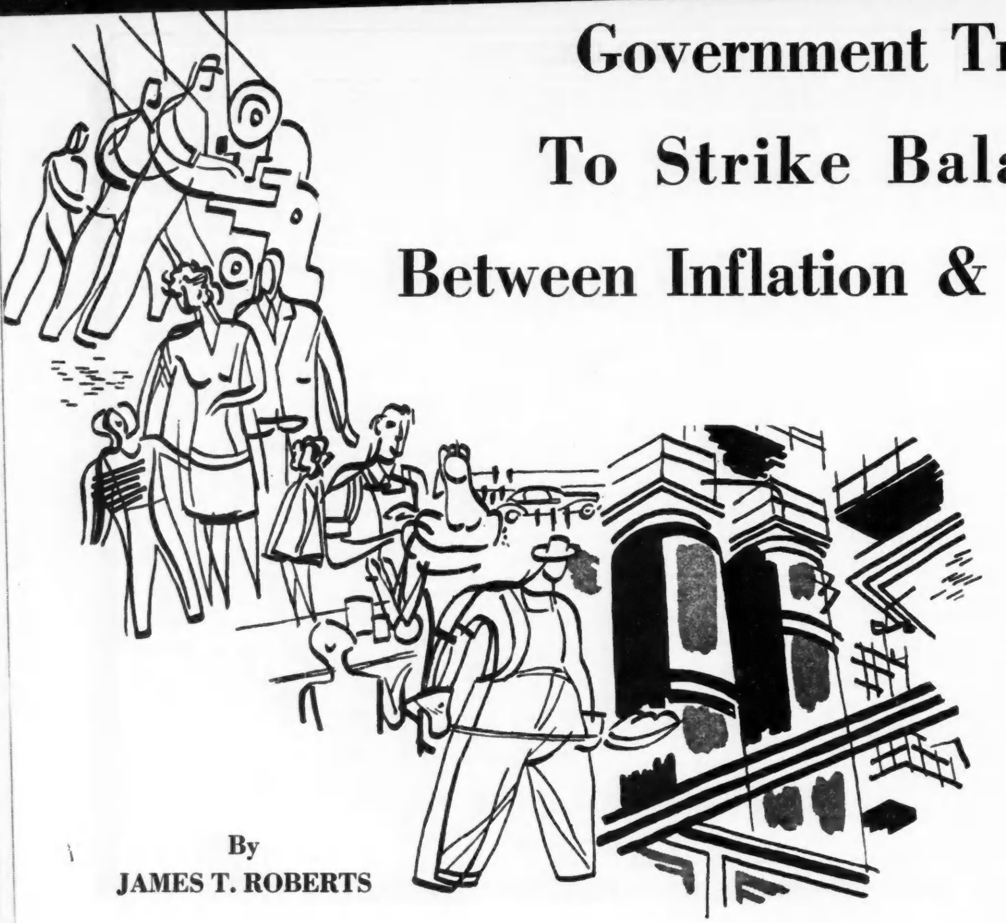
With a far greater degree of selectivity in the movement of stocks likely to be demonstrated in the future, it is probable that stocks of secondary and so-called marginal companies will not be able to show marked recuperative powers from present depressed levels. Continued poor action of stocks in the depressed industries such as textiles, sugar, leather, coal, movie and liquor companies in the past several years illustrates this point. On the other hand, stocks of companies in the strong industries, such as chemical, oil, and electrical manufacturing can be expected to show better-than-average recovery powers once speculative sentiments turns more optimistic.

As we have stated many times in recent months, investors should pursue the objectives of weeding out the less desirable issues, holding the sounder ones and retaining adequate reserves, either in cash or other easily realizable liquid assets. Of the three, the first is unquestionably the most difficult for the average investor. The reason is the normal reluctance to part with stocks, especially when, as is likely at this stage of the market in such class of stocks, there are losses of varying size. Nevertheless, it is a mistake not to face the issue squarely, especially when the cash obtained from disposal of less worthy issues can be used to purchase stocks in much stronger companies, which are also available, in individual cases, at considerable discounts from their highs of this year and last year. Obviously, there is little lost in such an exchange and a good deal may be gained.

From the technical viewpoint, the rails have given a good account of themselves and it seems likely that the stronger members of the group will continue to reflect their higher earnings. This position is supported by indications that the balance of the year 1953 will continue to register a satisfactory earnings position. It is noteworthy, however, that in the main, investment interest is centered on the conspicuously successful roads, and that those which have acted disappointingly continue more or less in a rut.

The utility shares, while holding quite well—near the peak for these averages—are showing signs that their major forward movement of the past few years is near the end for the time being. While not a conclusive factor, the higher yields now obtainable on bonds are commencing to exert a competitive influence on public utility stocks; and it is likely that the spread between these yields will narrow. Monday, July 20.

Government Tries To Strike Balance Between Inflation & Deflation



By
JAMES T. ROBERTS

Mid-summer of 1953 finds the pressures creating or tending toward inflation and deflation about as nearly in balance as can be determined in a country so extensive as the United States and one having so complex an economy. Some of the elements of these pressures have appeared of themselves or, as a physician might say, through natural causes; others have been created by artificial means or, more properly, by the direction of economic forces into desired channels.

A month ago there can be little question that deflationary pressure was the greater and giving promise of increasing. This was counteracted by the shifting of reserve requirements and the release of large sums for credit use. This was an outstanding example of the direction of forces into a desired channel.

It is of the utmost importance, however, to state that political expediency dictated this action only to the extent that an economic situation was recognized and instantly met in an orderly manner. It would be a grave mistake to believe that the reduction in reserve requirements was brought about by threats of political reprisals or to believe that the action represents a surrender of a general new policy of tighter credit but a few months after that policy was inaugurated.

The hard money, tight credit policy of the Eisenhower Administration has been bitterly assailed by suporters of the lax credit of the last two administrations, by veterans, by some farm groups, and, especially, by organized labor. But these attacks are not responsible for the latest move toward slightly easier money; there has been no effectual intimidation. The relaxation is due chiefly to the season.

Before the establishment of the Federal Reserve System and to some extent afterwards, it was the policy of the Treasury to move large deposits of Federal funds to banks in outlying sections of the country to assist in crop-moving, crop storage, meeting the payroll of harvest hands and the like. Under the Federal Reserve central banking system the same results are reached in other ways, notably seasonal reduction in reserve requirements and such manipulation of the bank rate as immediate situations dictate. Indeed, a good case can be made for the statement that the recent action tends to emphasize a normal condition in contrast to an emergency one requiring unusual treatment.

To be sure, this matter of immediate available credit is but one facet of the economic situation, although a conspicuous one. There are deep and underlying currents which affect deflation or inflation and, in the long run, the stronger of these will determine the direction for the year or the decade. It can very definitely be stated that the Government has not overnight changed its policy. It has so happened that the normal seasonal demand for credit has coincided with special needs of Treasury financing so there has been a heavier than normal demand.

Under the easy credit policy of the Roosevelt-Truman Administrations exactly comparable situations did not arise. There were, of course, seasonal demands for increased credit. These were not permitted to interfere with the overall Treasury policy of ever-expanding credit. Treasury needs could be met by short term issues on what has been compared to the monthly lottery basis which some Latin American governments employ. So no lesson as to an inflationary or deflationary policy can be drawn from what the country has witnessed in the financial world in the last few weeks.

Some observers of the contending pressures have been inclined to stress the apparent new wave of wage increases. The deeper fact seems to be that there may as well be as much of a deflationary pressure involved here as the contrary. This is because there are not likely to be any vast sums added to wages. Union labor's chess move on this round has been labelled a demand for "wage increases." Actually, in not a few cases no wage increases are involved at all but great skill has been employed to increase pension and other fringe benefits!

Labor negotiators know that in many cases bargainers have been instructed not to accept wage increases because higher pay would throw the recipients into higher income tax brackets at present tax rates. The business managers and labor bosses do not want to miss a beat in demanding something when the season comes around so the effort has been turned to the pension field. The recent tax ruling relating to the United Mine Workers pension fund affects only those in actual receipt of pensions; it does not affect any prospective recipients in the mining or any other field.

A prospective pensioner belongs on the creditor side of the equation in any consideration of inflation and deflation. Spiraling wages inevitably bring inflation; growing pension funds do not. The prospective pensioner as well as the pensioner in fact is vitally interested in maintaining the purchasing power of his money. He wants it to increase if possible rather than be eroded away by inflation.

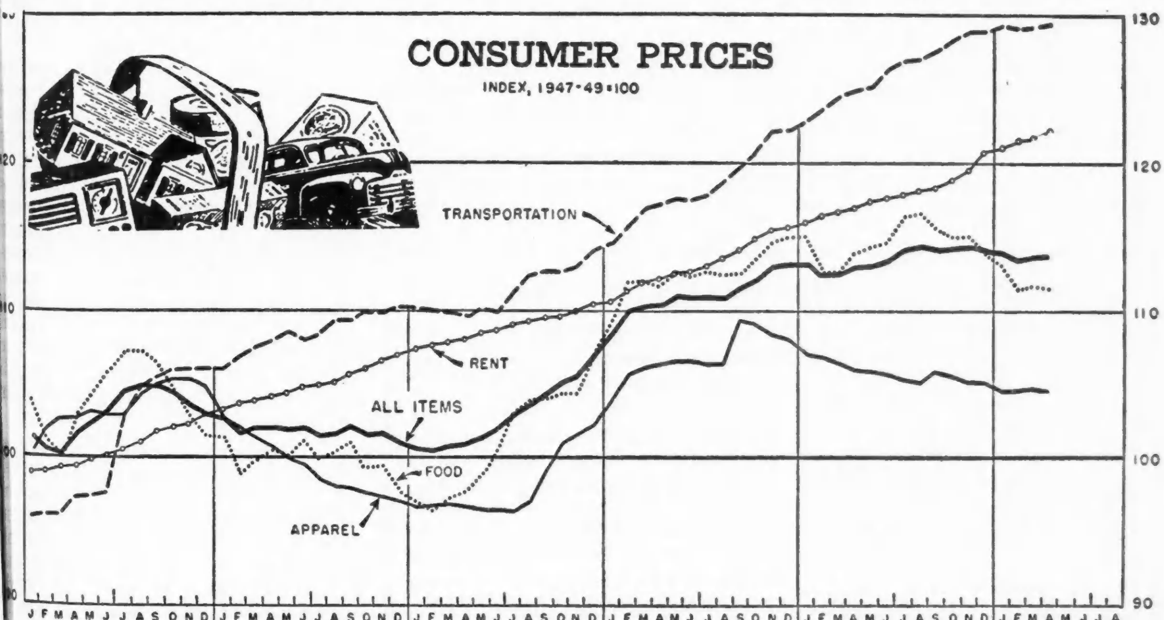
Here and there are particular areas and particular industries where the wage rate is below an average industrial level. In such cases, money wage increases will be sought but it is questionable if enough workers and enough money would be involved to create dangerous pressure on an inflationary character, especially in view of the contrary deflationary pressure on the pension side.

The large sums being paid into pension funds as a result of new benefits granted the labor unions do not flow into the stream of purchasing power and, therefore, tend to bid up prices. Gradually and over a period of years, the pensions become payable but not in such sums as to create a heavily bidding group of buyers. Indeed, these sums go to swell the accumulating reservoir of wealth available for investment in mortgages, in securities of the United States, State and local governments and in the securities of industry and other investments.

No one ever has been able to explain the varied phenomena of mass thinking. There probably always will be stampedes like that of the Gadarene swine in Biblical times and like that of human beings who swept down the hill to destruction all over the world in the late 'twenties and the early 'thirties. But in the United States, at least, there are more impediments in the way of such stampedes or rather more calming influences than ever before.

To begin with no such broad cleavage between the Haves and the Have Nots exists here today as existed only a generation ago. The incidence of taxation, the rise in wages going hand in hand with the vast increases in production so that more people have more things and greater security than ever before—all these tend toward a greater measure of tranquility. It is an arresting thought that the American people now hold $290 billion in life insurance alone. That is a figure equal to the entire national wealth but a few years ago! This figure does not include hundreds of millions of accident, hospital and kindred insurance, all privately held, in addition to industrial pensions, state unemployment insurance and, finally, social security insurance! There is so much more reason not to stampede than there was aforetime.

Life insurance policy holders now number 88 million. Sums paid for insurance of various kinds and annuities during the first half of 1953 amounted to $4.5 billion which, obviously was taken out of current purchasing pressure of an inflationary nature. To be sure benefit payments in the same period reached $2,250,000,000 but in most cases these payments went to beneficiaries who, like the labor pensioners mentioned above, are unlikely to be among income classes likely to cause inflationary buying pressure!



The very size of some of these figures reflects the vastness of American business processes and that vastness is comprised of so great a variety of activities that there can be included in the entire picture many currents and cross currents. There is a danger of regarding what appears to be a trend in some line to be representative of all lines and all trends.

Unquestionably, there are spots in the country, geographical spots, industrial spots, commercial spots and every other kind, one or two of which might present an alarming picture. For example, there is a situation in the steel business which might be regarded as less than healthy for some although profitable for others. Users of given types of steel often find difficulty in getting orders filled at the mill, especially if they are not old established customers. They must shop around among brokers and warehouses and end users with surpluses to get what they want and, of course, must pay well above mill prices. This is inflationary.

It is inevitable that some small manufacturers are likely to be put out of business in such a situation as this, especially if other costs rise. Yet complaint is heard on the other hand that buyer resistance and stern competition are in a decidedly deflationary stage. Obviously you cannot have an inflationary price spiral on the one hand and a deflationary resistance on the other without each exercising a stabilizing effect upon the other!

The buyer must be the final arbiter. Brows have been knitted over the debt of the buyer on the installment plan and grave worries are occasioned over what is going to happen in that field. The Federal Reserve Board shows the installment credit figure now at practically $20 million. Automobiles were leaders in the seasonal Spring increase in the total figure. There was an increase of nearly $5 billion over last year in the total of all installment credit. There is scarcely anything which now can not be purchased on the installment plan – a house, a horse, a trip to Europe or a new baby! At first glance this looks like a tremendous overhanging mortgage on the future; and insupportably burdensome one. In many individual cases it becomes insupportable but statistically and actually for the Nation it is not!

A special survey by the Federal Reserve Board covering the position of consumer credit puts its finger on both strengths and weaknesses. It is stated: "More people reported feeling financially better off in early 1953 compared with a year earlier than in any previous survey in the post-war period." The survey found, however, that the level of consumer debt was considerably higher although widely distributed. Much of the indebtedness was for automobiles and other durable goods. But the survey found "an increase in the number of consumers having liquid assets and in the median amount of such holdings."

Here we revert to the showing that there has been an astonishing increase in the creditor position of the millions of American consumers. There appears to have been enough native thrift operating to induce the consumer on installment credit or otherwise to keep his credit side reasonably in line with his debit side.

If one prefers to take a pessimistic position as to the good faith of the average American and believe that he would not pay his bills and installments unless absolutely compelled to and, thereby, would intensify an inflationary buying crescendo, let him think of the spectacle (sometimes humorous, sometimes sad) of the repossession man claiming the goods defaulted upon. That is the unusual; continued payment is the usual, always tending to maintain a balance between the two pressures.

American bank depositors now number 111,000,000, according to the Federal Deposit Insurance Corporation. A study by the Securities and Exchange Commission shows individual savings accounts in the first quarter of 1953 increased by $2.5 billion which figure is itself an increase of $100 million over the first quarter of 1952. Mutual savings banks alone in April held deposits of $23,250,000,000 and a substantial portion of the total of time deposits for all banks, amounting to $65 billion in April, is held by individuals. Individuals hold $49.5 billion in United States savings bonds.

Individuals' net holdings of Federal Government bonds rose $1.8 billion in the first quarter. Postal savings which can be regarded as almost entirely personal savings add another $2.5 billion. Individual investments in corporate stocks and bonds in the first quarter reached $500 million and of course these purchases were added to portfolios already held. Consumer indebtedness rose but retail store charge accounts were paid off in the first quarter to the tune of $500 million. Tobacco Road is a remarkable short street in this country! And inflation or deflation, there'll always be a credit man!

There are areas of nervousness. Farm prices are low in comparison with many items the farmer must uy and it long has ben almost an adage that deflation sets in in earnest, with depression following, when the farmer's purchasing power drops low enough to drive him out of the market. The price of farm land has declined. Yet every decade sees the country less dependent on the farm community for its ecnomic direction. It is questionable if any longer the farm alone can govern. Other purchasing power is too large to be overwhelmed and the enormous latent purchasing power in the hands of individuals will assert itself and imperceptibly better the farmers' lot.

It is estimated that more than 5,000,000 families will have their rent increased when controls expire in more than 1400 cities and towns not included on the critical list this summer. This almost certainly is an over-estimate but even if fairly accurate the increases will not, as a rule (*Please turn to page 5*

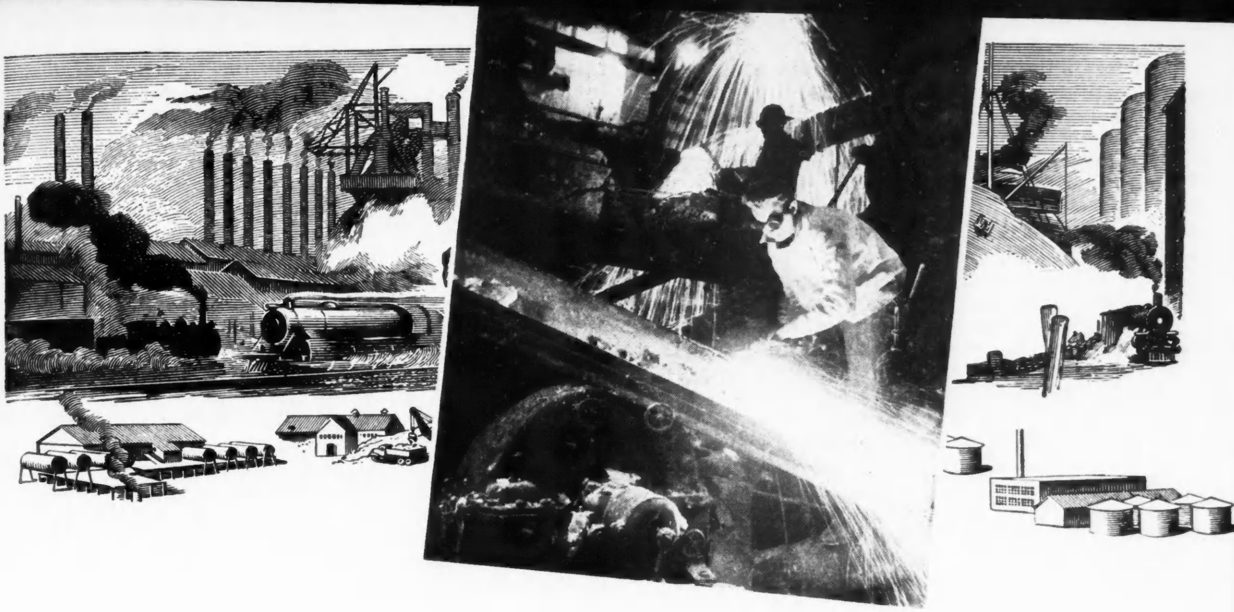
IMPORTANT INFLATIONARY - DEFLATIONARY TENDENCIES

INFLATIONARY

1. $9.4 billion federal deficit for fiscal 1953-54.
2. National debt near statutory limit.
3. Largers sums for credit use through shifting reserve requirements.
4. Increase in price of steel and oil.
5. New high in consumer debt.
6. Cost of living practically at peak.
7. Higher wages.
8. Higher rents.
9. Full-scale employment.

DEFLATIONARY

1. Lower farm prices
2. Lower farm land values.
3. Higher interest rates.
4. Stretch-out in military production and cut in defense appropriations.
5. Increasing competition from foreign sources both in U. S. markets and abroad.
6. Inventories still at peak.
7. Less long-term forward buying by industry. Increasing amount of business on 30 and 60-day basis.



Production Trends in . . .

Individual Industries

By J. C. CLIFFORD

Contrary to general expectations held earlier in the year, there has been no appreciable industrial cut in production during the first half. On the other hand, while production schedules remain exceedingly high, there are signs that for some industries at least, output is finally catching up with demand, if indeed excess supply is not already being created.

As the second half of the year opened, it was evident that production was slightly leveling off. The Federal Reserve Board index of production in June stood at 241, practically constant with the preceding two months, indicating that the forward thrust in production activity which materialized last autumn, after the steel strike ended, is now commencing to lose momentum.

Sustained industrial activity in the second quarter was supported by two factors: (1) manufacturing hedging activities against higher prices and possible strikes and (2) anticipation of mass vacations in the factories in July and August which necessitated stepping-up of production in advance of the shut-downs. In July and August, seasonal summer slowness will be reflected in lower production schedules. In this respect, the manufacturing situation will be closer to normal for this time of the year than for any period since the outbreak of World War II.

In certain important areas, such as automobiles, residential building and appliances, the outlook is confused and doubts are expressed as to continuation of activity on the recent high scale. In residential building there has already been a moderate down-turn in response to some apparently saturated markets in a number of hitherto active building localities.

Although some down-turn in total production is anticipated toward the end of the year, the major sustaining factors, such as high employment, government spending, new plant and equipment expenditures and the generally high purchasing power of the nation, are still strong enough to prevent any drastic declines.

Stated in terms of the Federal Reserve Board production index, the prospective slowing of production should not carry the figure much below that at the beginning of the year, or 236 against the present 241. Aggregate third-quarter production, of course, will make a favorable comparison with the corresponding period last year owing to the abnormal effects of the steel strike on production generally during that period.

The real test will come in the fourth quarter, when the forces now making for increased competition will be in greater evidence. Under these conditions, it is likely that buying policies of large corporations which have been growing more conservative in recent weeks, in line with a desire to keep inventories in close balance with visible demand, will be paralleled by cuts in production in conformity with actual markets.

The main problem before manufacturers to-day is to keep their plants as fully occupied as possible which is becoming more difficult as competition increases. The problem is complicated by difficulties in raising prices to meet new increased labor costs. Past experiences has shown that consumer resistance

fore, many manufacturers who otherwise would have raised prices are holding back in fear of stimulating resistance. On the other hand, those companies which have already raised prices in response to higher steel costs and higher wages are not certain that these increases can be maintained for long. These uncertainties may have an effect on production rates within a few months. The end of the Korean war could also have a psychological effect on business plans. However, as stated, it does not seem that drastic cuts are in sight.

In order to afford our readers a closer view of the production situation and outlook, we give below our estimate of conditions in some leading industries. The actual twelve-months trend, of all important industries commencing with the month of June, 1952 is given in the accompanying table.

Steel: With operations maintained at close to 100% of rated capacity for the first six months, it appears that production for the period was about 58.5 million net tons. Estimates are that about 112 million tons will be produced this year, making probable output for the final half about 53.5 million tons, a decline of 5 million tons from the first half. To some extent, the comparatively liberal estimate for the full year is based on continued high automobile output for the final half, as any more than normal decline in the fourth quarter in this industry would bring steel production down somewhat proportionately.

While official capacity is now 117.5 million tons, new additions have brought this up to 120 million tons, which is expected to rise to 123 million by the beginning of 1954. It is obvious from these figures that the industry will from now on continue to operate increasingly below capacity. However, general demand is surprisingly strong and is expected to be maintained during the third quarter. The fourth quarter may bring a definite downturn, though, as stated, this will largely depend on auto production. The price situation is not as strong as appears on the surface; and the demand for conversion steel, a large factor in hitherto sustained output, is contracting, especially for small companies.

The rise in prices itself has thus far had no appreciable effect on steel demand and will not do so as long as fundamental demand remains strong. The pinch would come if anything like a recession were to materialize. In the meantime, earnings for the steel companies remain satisfactory and should continue to do so for the third quarter though the slightly lower production expected in that period as a result of vacation shut-downs and furnace renovation etc., should tend to limit profit gains to those experienced in the second quarter. The fourth quarter outlook as yet is uncertain but earnings will probably show some decline.

Automobile: The first half of 1953 broke all records for the period with about 3,250,000 cars for the corresponding period, the highest previous record, approximately 3,100,000 cars were produced. Trucks built amounted to 635,000 in the half year 1953 but this was considerably off from the total of 787,000 in the same period of 1951. Truck manufacturing is in a definite downtrend which does not seem likely to be reversed in the near future.

Up to the present, sales of new cars, most of them involving trade-ins, have almost but not quite kept pace with output. Actual sales in the second quarter averaged about 500,000 cars a month. However, dealers are running into difficulties as new car purchasers are demanding—and getting—increased allowances on trade-ins, mostly to the financial disadvantage of the dealers.

Manufacturers are claiming that they can produce and sell the same number of cars in the second half of the year as in the first. Some doubts, however, are being expressed as to whether this is possible, especially in view of the increasing heavy inventories in unsold used-cars. These uncertainties, as yet, however, are not reflected in actual production schedules, according to trade reports, as it now appears that there will be no let-down in output during the third quarter. The real question, therefore, concerns prospects for the fourth quarter; but the signs are there that the market is approaching a point of saturation.

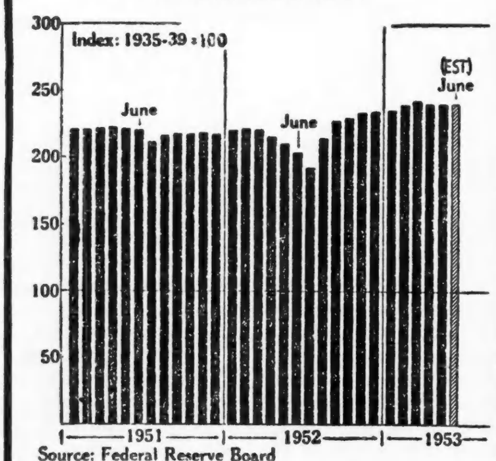
Earnings of the big manufacturers for the first half, of course, are excellent and probably will be satisfactory as well during the third quarter. The outlook for the fourth quarter, however, is uncertain.

Petroleum: Total crude runs have been rising steadily, though moderately, in the past few months. They averaged 6,781,000 barrels, including 630,000 barrels daily of foreign crude, in April; 6,950,000 barrels in May, including 636,000 barrels of foreign crude; and about 7,080,000 for June, with 700,000 barrels of foreign crude runs.

Estimated crude petroleum consumed or exported in July is about 6,290,000 barrels daily vs 6,250,000 barrels daily in June. For the second quarter, the estimated total demand for all oils was 7,650,000 barrels daily. This included exports of 420,000 barrels daily and domestic demand of 7,230,000 barrels daily. This demand is about 11.2% higher than estimated at the beginning of the year.

On June 30, total product stocks amounted to 407 million barrels, about 68 million barrels above the abnormally low figure of the same date, 1952, and about 46 million barrels higher than in 1951. The world supply situation is commencing to bear down heavily. In 1952, there was an increase of 61% in total world production (aside from the Soviet Union) as compared with the end of World War II. While demand has more or less kept pace, there are indications of surplus in some parts of the world. Increased productivity abroad and, especially, new refinery capacity is a noteworthy factor, and may

Production



Source: Federal Reserve Board

U. S. Industrial Production

Federal Reserve Index

	1952							1953				
	June	July	August	September	October	November	December	January	February	March	April	May
Iron and steel	140	139	244	270	281	283	286	287	290	297	292	291
Lumber and prod.	155	150	160	167	164	160	151	151	159	163	162	158
Furniture	169	165	175	183	189	191	196	189	192	196	190	184
Lumber	148	143	152	159	151	143	128	132	142	146	148	145
Machinery	352	331	336	354	363	371	385	391	396	405	403	398
Nonferrous metals	210	201	213	225	237	241	246	249	259	261	264	264
Fabricating	195	184	197	216	231	236	241	242	245	245	249	253
Smelting and ref.	246	241	251	248	251	251	259	266	293	301	300	291
Stone, clay, glass	225	216	231	232	235	226	214	209	216	227	239	233
Cement	237	236	261	263	267	252	231	209	212	224	249	n.a.
Clay products	169	160	169	167	173	167	165	155	159	162	161	158
Glass containers	266	255	272	267	262	245	210	227	248	272	......	n.a.
Transport. equip.	339	287	300	353	371	376	392	392	405	414	418	403
Auto (incl. parts)	229	162	175	247	265	272	282	282	301	312	321	300
Alcoholic bev.	176	186	159	159	173	163	142	134	144	161	......	n.a.
Chemical prod.	296	295	299	305	309	313	314	311	314	320	319	323
Industrial chem.	563	565	568	567	578	595	598	594	597	607	602	633
Leather and prod.	102	90	116	111	112	114	107	117	122	116	113	n.a.
Leather	90	77	95	95	104	107	99	103	108	97	102	n.a.
Shoes	111	98	129	123	118	120	112	126	131	129	119	n.a.
Manuf. food	165	174	185	192	178	165	161	153	148	150	150	157
Dairy products	217	215	214	173	133	106	107	98	109	128	......	n.a.
Meat packing	147	137	138	154	169	190	208	199	166	166	160	156
Processed fruits	124	179	234	279	190	114	100	91	89	85	88	100
Paper and products	182	159	188	191	203	205	195	200	208	211	212	210
Paper and pulp	177	153	180	181	192	194	185	191	198	......	......	n.a.
Petrol. and coal	251	259	280	282	279	290	291	293	293	289	283	288
Coke	72	67	169	177	179	182	186	188	188	189	187	n.a.
Gasoline	216	225	231	234	225	233	229	230	231	225	224	229
Printing and pub	175	145	157	166	180	183	172	168	178	187	186	187
Rubber prod.	246	225	242	252	260	264	272	268	268	273	271	n.a.
Textiles and prod.	154	147	170	177	172	176	169	169	173	174	171	175
Cotton consumption	133	111	143	145	142	149	141	140	149	148	141	143
Rayon deliveries	312	343	369	377	361	356	337	350	338	352	355	370
Wool textiles	112	103	123	137	134	137	138	130	142	......	......	n.a.
Tobacco prod.	197	179	193	198	197	184	159	178	184	183	......	n.a.
Fuels	161	155	161	180	167	177	176	172	170	168	165	170
Anthracite	74	57	61	88	95	87	71	60	60	52	44	66
Bitum. coal	102	91	102	144	93	135	125	116	109	107	113	113
Crude petrol.	193	190	194	203	203	202	207	204	205	204	198	203

n.a.—Not available.

have an effect on unduly pressing imports on the United States. This would also affect American companies operating abroad, who tank the product into home ports. There is, indeed, some agitation in Congress to curb this flow.

Contrary to the basic supply and demand situation, prices have been raised by some important American refiners. This has raised some doubts among experts who believe this increase cannot be sustained. Indicating the unwieldy supply situation, is the fact that U. S. producers now have a reserve capacity (shut in) of about 1,000,000 barrels a day.

Profit situation remains satisfactory and no great changes are expected either for the third and fourth quarters. However, if the price structure should eventually weaken, the margin of profit would decline temporarily. This would probably be on a moderate scale as there is no indication in sight that domestic demand will fall by more than a slight amount, even if general business conditions ease.

Non-ferrous metals: Unsettled prices for leading non-ferrous metals is apparently commencing to affect production, especially zinc and magnesium which are now being cut back. In June, also, there was a slight drop in non-ferrous smelting and refining. Aluminum stands out as a strong exception to the trend, with nickel a close second. Both the latter industries are steadily increasing production to meet the still heavy demand.

The London market in copper, tin, zinc and lead is having an important effect on these prices on a world scale and is now being reflected in the home market. Only aluminum and nickel, among important metals, have strong markets but a rise in aluminum wages may force the price of this metal still higher.

From the profit angle, adverse conditions may be expected to continue among lead and zinc producers. Copper earnings are still quite satisfactory but uncertainty as to the price outlook may have an effect later on in the year. Both aluminum and nickel are in a strong profit situation and are likely to remain so for a considerable period.

Chemical: As indicated by the Federal Reserve Board index, production in the chemical industry has increased steadily in the past twelve months though at a more moderate pace than some other industries. The index now stands at 323 as against 296 a year ago. The mild (*Please turn to page* 522)

ESTATE PLANNING for Investors

By ARTHUR C. STRASBURGER

Many investors do not realize that plans may be developed to minimize estate and inheritance taxes. Even though the size of an estate may not at present create a serious estate tax problem, a consciousness of the danger may enable an investor to minimize his tax problem as his estate grows.

Too often the investor does not consider factors which, upon death, can undo much that has been accomplished during lifetime. Without adequate provision for debts, taxes and expenses, the intended beneficiaries may receive much less than planned. The cost of doing nothing in advance about this problem may be the forced sale of estate assets below true value in order to secure money to pay taxes as well as the payment of much higher taxes than anticipated. Such a situation may be avoided by a realistic approach to estate planning while there is still time.

Frequently, various testamentary instruments are drawn on the basis of the general wishes of the testator, without analysis of the contents of an estate. Such an analysis might disclose the need for additional liquidity to cover estate obligations. Valuation of the estate and consequent death taxes may be higher than expected. All of which may mean that the estate is not adequate to fulfill the various testamentary provisions of the will.

For an investor to realize his problems, we have prepared a table to demonstrate the extent to which death taxes and administrative expenses cut into an estate. The table indicates the approximate administrative expenses and minimum Federal and State taxes upon transfer of property directly to one's children. Estate taxes would be less if a married person transfers up to one-half of his net estate to a surviving spouse.

Laying the Foundation

An outline of the underlying principles of estate and inheritance taxes should help an investor to estimate his death taxes. Without the need of becoming an expert, an investor can familiarize himself with Federal and State tax laws, insurance and basic testamentary law which would be helpful in preparing an estate analysis.

The Federal estate tax is generally imposed on the value of an investor's estate to the extent that the net estate after funeral expenses, debts, charitable bequests and administrative expenses exceeds $60,000. All residents of the United States and all citizens of the United States, irrespective of where they reside, are subject to this tax. The tax is imposed at progressive rates on the transfer of the net estate, excepting real property situated outside the United States. Although computation is involved, the ultimate tax is that which is computed after a $60,000 exemption and a State inheritance tax credit. A rapid estimate of estate taxes is given in Table B.

The credit for State taxes cannot exceed 80% of the basic Federal estate taxes which are a part of the aggregate Federal estate tax. State taxes based on lower rates, but with lower exemptions, must be considered prticularly for estates valued below the Federal exemptions of $60,000. In such cases there may be State taxes without a Federal estate tax imposed.

Each state has different rates ,exemptions applic-able to different classes of beneficiaries and variations in the type of assets included in the taxable estate. In New York for example, a tax is computed on a graduated rate starting at 1% on the taxable estate up to $150,000 and increasing to 8% on taxable estates over $1,100,000. After arriving at the net estate on the same basis as for Federal estate tax purposes, and excluding life insurance benefits received up to $100,000 certain exemptions are allowed in computing the taxable estate. An exemption of $20,000 is allowed for a beneficiary who is a widow or widower and a $5,000 exemption is allowed for each other close relative. Similar provisions are effective for most states and must be considered as part of the total cost of settling an estate and determining the net amount distributable.

In determining the assets subject to death taxes the following types of property are generally included:

(1) Property which is transferred by will or the laws of intestacy.

(2) Interest in a joint estate or estate by the entirety, which is transferred to the survivor upon death.

(3) A dower or courtesy interest in property to the surviving spouse.

(4) Transfers during life made in contemplation of death or to take effect in possession or enjoyment at or after death.
(5) Life insurance proceeds payable to the estate of an investor and all other insurance receivables by beneficiaries under policies where the insured had paid premiums or reserved some incidents of ownership.
(6) Interests in trusts, rights, powers or estates where the enjoyment was subject at death to any change.

There are other types of property included in a taxable estate, but the above lists represents the major items. There are methods of transferring certain assets during lifetime which may exclude these assets from the taxable estate. These possibilities should be considered in the course of an analysis of net worth and estate plans.

Valuing the Assets

Estates are measured by market value of the assets of the decedent. For Federal estate tax purposes, assets must be valued at the date of death or, at the election of the administrator or executor of the estate, one year after death. Most states do not permit this election. This option permits a saving in tax if assets drop in value during the year following death. Federal estate tax returns are due eighteen months after the date of death, which is ample time to choose the lower valuation date. However, the question of valuation will not apply to assets which are transferred out of the estate during lifetime in such a manner as to be eliminated from the taxable estate.

In the case of stocks and bonds which have a wide market value and are traded on an exchange, no great difficulty arises in establishing their value. The mean between the highest and lowest sales price on the valuation date is considered the fair market value. If there were no sales on the valuation date, the difference between the mean sales price on the nearest date before and the nearest date after the valuation date should be pro-rated to the valuation date. The quoted price may not control valuation if it can be shown that some factor might make such price unfair or inaccurate. If an investor held a large block in a company, sale of such a block might depress the market price. In an effort to reduce the value of an estate assets, a blockage rule has been developed to justify valuation of a large block of stock at less than current market value.

The valuation of unlisted securities of a closely-held or family corporation presents a difficult problem. There are four methods of valuing unlisted securities if there are no sales, no bid-and-asked prices and no listed securities of similar businesses; namely, capitalization of estimated future dividends, book value, capitalization of the company's estimated future earnings and the asset or liquidating value reflected in the balance sheet. One test may reveal a different value for an investment than another. As a result, there may develop an honest difference of opinion among experts, which the court must resolve.

Many investors holding an interest in a famliy business or a large block of favored stock will charge their executors or trustees to retain this business interest despite inadequate funds to meet debts, expenses and taxes. Such a burden on an estate may cause a designated individual, bank or trust company to refuse to serve as fiduciary. Unless cash is available or can be borrowed, greater latitude should be given a fiduciary, even to the extent of permitting disposition of assets at sacrifice prices.

In most cases complete discretion to switch investments is a cardinal principle of sensible will or trust drafting. The so-called list of "legal" securities which most states publish as a restriction on fiduciary investments is not sufficiently broad to cover holdings in family companies or special situations. A good estate plan will provide complete discretion in the trustees or executors to invest and reinvest in such securities as they, in their sole discretion, consider advisable.

How to Approach Problem

Although problems of valuation and administration will arise in estates (*Please turn to page* 522)

Facts to Know About Inheritance Taxes

TABLE A

Value of Estate After Payment of Debts	Approximate Expenses and Death Taxes	Balance of Estate to Beneficiaries
$ 50,000	$ 4,300	$ 45,700
108,000	13,000	95,200
120,000	17,000	103,000
150,000	25,500	124,500
215,000	66, 00	149,300
268,000	84,500	184,300
322,200	103,900	218,300
428,700	142,400	286,300
535,000	180,700	354,300

TABLE B

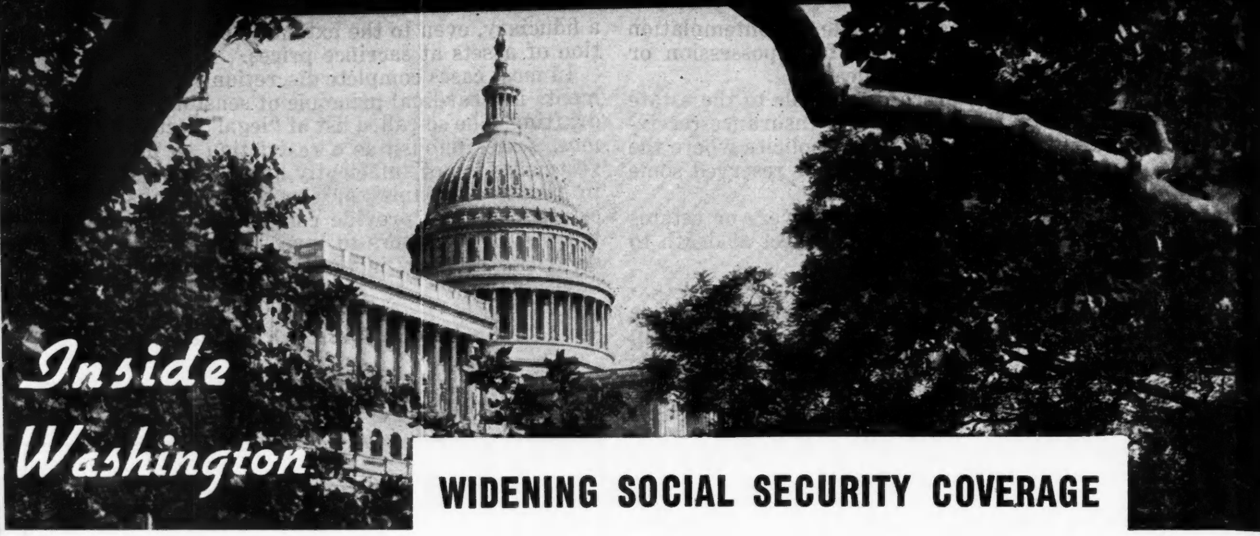
Net Estate (1) From	Net Estate (2) To	Maximum Tax Amount on Column (1)	Rate on Excess Over Column (1)
....	$ 60,000	$ 0	0%
$ 60,000	65,000	150	3%
65,000	70,000	150	7%
70,000	80,000	500	11%
80,000	90,000	1,600	14%
90,000	100,000	3,000	18%
100,000	110,000	4,800	22%
110,000	120,000	7,000	25%
120,000	160,000	9,500	28%
160,000	310,000	20,700	30%
310,000	560,000	126,500	32%
560,000	810,000	145,700	35%
810,000	1,060,000	233,200	37%

TABLE C

Net Worth Over $60,000	Federal Tax Upon Gift	Federal Tax Upon Death
$ 5,000	$ 112	$ 150
10,000	375	500
20,000	1,200	1,600
30,000	2,250	3,000
40,000	3,600	4,800
50,000	5,250	7,000
100,000	15,525	20,700
250,000	49,275	65,700
500,000	109,275	145,700

TABLE D

Net Estate Before $60,000 Exemption	Plan "A" Tax to Investor	Plan "B" Taxes to Investor & Wife	Tax Saving
$100,000	$ 4,800	$ 0	$ 4,800
200,000	32,700	9,600	23,100
300,000	62,700	35,800	26,900
400,000	94,500	65,400	29,100
500,000	126,500	95,400	31,100



WIDENING SOCIAL SECURITY COVERAGE

By "VERITAS"

SEN. BRICKER is getting exactly nowhere in his effort to bring about a statutory declaration which would transfer much of the treaty-making power from the Executive to the Legislative branch of the government. President Eisenhower has offered a compromise but otherwise is standing his ground. And the compromise is absolutely amusing, cleverly contrived: no treaty shall contain anything forbidden by the Constitution. That's point 1 in the Bricker Bill; it only re-emphasizes what the basic law requires anyway. And Bricker should know senate consent is needed for treaties.

> **WASHINGTON SEES:**
>
> Anyone interested in making out a case of inattention to business against congress is being given an effective assist by the admission of a cross-section of the senate membership that less than one-half knew that their branch of the government had submitted a constitutional amendment proposal to the states for action.
>
> The amendment is important to industry. It would debar the President from seizing plants without first obtaining the consent of congress. It is obviously related to the Truman steel industry seizure. The decision by the Supreme Court that the President could not legally take over industrial properties under the conditions then prevailing isn't a total insurance against a President taking over plans "to protect national interests" in other situations.
>
> It is obviously desirable that one man's judgment of the need for federal operation of a private business should be subject to advance examination by others. The Supreme Court thought so in the steel case. Few would quarrel with the decision. But the fact of the matter is that the action of referral will be challenged, and maybe defeated in many states, by the fact that the constitution provides that amendments may be sent to the states only on two-thirds vote of congress. There never has been a clear-cut ruling on whether that means two-thirds of those present or of the entire membership. The answer could determine its fate.

MANAGEMENT will have a capable voice on the National Labor Relations Board as a result of appointment of Guy Farmer to that tribunal. NLRB has often been accused of leaning backward in favor of labor unions and there sems to be evidence in the record that the charge is not without merit. Farmer may bring on a measure of balance. He served the Board's legal staff in Minneapolis, later was its associate general counsel here. Since 1945 he has been a management counsel on labor matters and has represented many companies who have been ordered to appear for "trial of issues."

CONGRESS is racing toward adjournment and will leave stacks of public business untouched. There is nothing new in that situation. However the fact this session started with so much chest-beating and assurance of mowing down the crop of legislation which had been allowed to grow will give rise to pointed questions. Amazing to those not familiar with the methods of congress is the fact that each day's session finds an accumulation of new bills introduced—legislation which has no chance of being considered. Sponsors know that. It gives them opportunity to tell constituents they have "pending bills."

FUTURE of the atomic and hydrogen bombs internationalization may rest in the hands of Lewis L. Strauss, appointed to the Atomic Energy Commission to succeed retiring Chairman Gordon Dean. The balance of thinking on this point within AEC has been very close. Dean was in favor of giving more know-how from the files and plants of this country; Straus was more isolationist as a committee member, before being assigned the chairmanship and it will be interesting to observe which route he follows from this point forth. He and Dean didn't disagree; they just didn't agree on a few fundamentals.

As We Go To Press

There is a growing impatience on the part of congress to wind up a session which has not been spectacular in its performance. It isn't fair to expect that the first session of a congress under a new administration will set the world on fire, especially if it comes in under a long reign of the opposing party. Lawmakers are anxious to learn what the actual reaction "back home" has been. The mail, they realize, doesn't tell the story; it's confined almost exclusively to messages from the disappointed — the pleased constiuents take things for granted and don't bother to tell their representatives about it.

One of the early manifestations of congressional unrest is a growing move to adjourn all current committee investigations and settle down to the business of legislating. There naturally is a difference of opinion on the point but the majority opinion is that a few members — notably committee chairmen who draw the most publicity, good or bad, are putting in time before the cameras when they should be supplying the votes to act on bills, for or against. In any event, dispose of them.

Under the impact of television competition, the theater industry has been battling for repeal of the 20 per cent tax on admission tickets. The goal is within apparent reach. The time element seems to be the principal problem. House ways and means committee heard the theater operators, was convinced that the tax (an excise) should be removed from the books. The White House is not expected to interpose any serious objections, unless other excised trades insist on being counted in too.

As the House acted on the measure there was rather definite agreement that the repealer could get through the legislative mill on time — before the July 31 planned date of adjournment. President Eisenhower sees this relatively minor tax measure as a possible means of placating Rep. Reed of New York, committee chairman who isn't taking his defeat on the excess profits bill at the hands of his committee with the grace that might be expected of a 78-year old man who has spent more than one-half of his life in the arena of legislative decision. There is nothing personal in Reed's position; he has said tax reduction by the GOP is an obligation born of 1952 campaign promises.

If there aren't important, early, switches in the Cabinet membership, much of the Washington press corps will be greatly surprised. At least three of the Secretaries are growing tired of the insults and innuendos being sent their way — Dulles of State, Wilson of Defense, Durkin of Labor. With the exception of Dulles who served a brief term in the United States Senate, they've all been on the pitching end of the political mound, not catching.

While job uncertainty plagues those on the top level of the federal payroll, where prestige rather than income is of the essence, and worries their underling who wonder when the economy sword will drop on them, an examination of the statistics indicates that the number of pay envelopes bearing the Great Seal is not being reduced in the overall. Democratic National Committee statisticians aren't releasing the data they are carefully collecting but they say most persons released from one department are being promptly placed in another. And if they were not, their plight would not be great: federal bureau studies show that more than 63 million employable persons have jobs today and that's close to 1.5 million more than were on last year's payrolls.

It really isn't conclusive on the point of whether the carriers are better off financially, because operating costs have zoomed, but the financial report of the the Association of American Railroads is attracting interest. The roads, says ARR, took in 74 million dollars in the most recent month for which tabulations were pos-

sible, against 59 million dollars in the comparable month of last year. No details as to the relative net position. Union leaders are reported to be smacking their lips.

The railroads aren't the only industry members facing this problem. The interstate and foreign commerce committe under the chairmanship of Rep. Charles A. Wolverton of New Jersey, is looking into recent increases in the price of petroleum products. Wolverton is a talkative, business-minded republican of the old school but he has raised the suspicion that pre-judging of the case might be indulged in his statement that the major producers haven't established that they should get a higher price.

When Wolverton made his statement no witnesses had been heard in opposition to price increases. The oil companies had made a pro forma presentation, as is customary at congressional hearings; the testimony is intended to force the opposition to come out into the open with specific complaints, if any, and to disclose the grounds on which they rely to support their position. Meanwhile, the heavy artillery of counter-attack is being stacked in readiness for rebuttal; squads of auditors, accountants, labor relations experts are analyzing every sentence of reported evidence,, are ready for the backfire attempt.

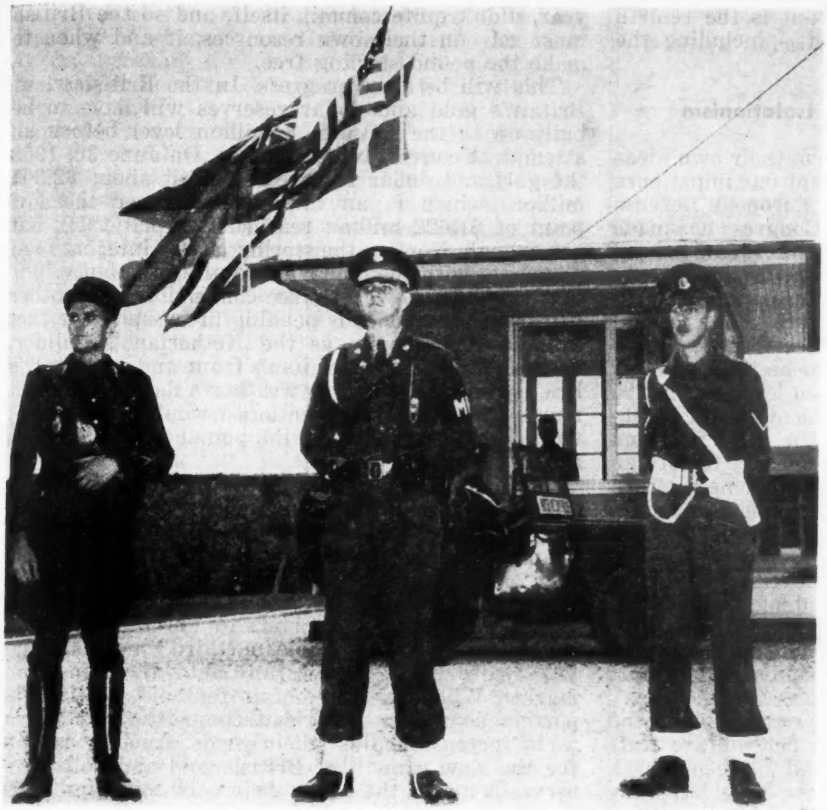
Disquieting report attending the petroleum inquiry is that an attempt may be made to control prices, including those of fuel oil and automobile gasoline. If that happens, it is pointed out with reasonable expectancy, the cost of administering a national control system must be allocated to petroleum distribution and in the long run the customer won't benefit. Of course, new jobs will be opened to political appointees, harassment of the oil companies promoted. Upped costs of discovery of sources and their development, of transportation, and of meeting competition (in the fuel category) will be examined. Forgotten.

The drive against Senator Joseph McCarthy is on and it's well organized. His wings will be clipped. President Eisenhower, who has disliked McCarthyism from the very start, so much so that he risked loss of Wisconsin's electoral vote rather than come out in active support of the senator's candidacy, actually is spearheading the blast. McCarthy's own committee turned on him when he reflected on the patriotism of an entire religious sect; President Ike indorsed a tri-partite (Catholic, Jewish and Protestant) protest against what the senator had said. He was only indorsing a magazine article authored by Dr. J. B. Matthews of his staff but he associated himself with the expressions without reservations. Matthews resigned after Ike's note of stern disapproval appeared in print.

Warning note on the economic front was forecast by Dr. Edwin G. Nourse that the United States has all the makings of a depression. A highly respected analyst, Dr. Nourse will be remembered as the chairman of the President's Council of Economic Advisers. He resigned when he found that fellow board member, Leon H. Keyserling's views, with which he could not agree, were being uniformly accepted by President Truman. Keyserling is a member of the bar and former congressional secretary with a pipeline into the White House because of long-time association with the late Senator Robert F. Wagner of New York.

Dr. Nourse's prediction — for it is just that, although he merely mentioned that the ingredients are present — is, of the professorial type. There are many gradations, running all the way up from the predicters who rely on the state of their rheumatics to forecast the weather. In between are realtors who will confirm Dr. Nourse on a basis that seems to have a high accuracy percentage: vacancies in neighborhood small stores — increasing in numbers.

White House pressure on Thomas E. Dewey to run for re-election as governor of New York, and on Senator James H. Duff to quit his present post and run for governor of Pennsylvania, reflects a growing apprehension on the high GOP level that the by-election results may cost the party its narrow control in both houses of congress. Each is an extremely active vote-getter in a populous state which elects many house members. They probably could determine the fate of numerous sitting representatives.



Must We Go It Alone —After All?

By V. L. HOROTH

"European unity may be far away, but a European uprising against the danger of being hopelessly ground to pieces between two powers, the United States and the Soviet Union is imminent".
Sueddeutche Zeitung, Munich, July 10, 1953

THE shaping of a new international situation, a process that has been called "a tide in the affairs of men" has been characterized by a significant development. This development is the tendency on the part of the two great super-powers that dominate the postwar world – the United States and the Soviet Union – to "go it alone". With the cold war getting colder the minor member states of the two great rival coalitions show increasing restlessness and dissatisfaction. In the communist orbit, this has taken the form of an open rebellion which may make Tito's defection look pale in comparison. The satellite states are seething with resistance to Russian domination and a wave of nationalism is sweeping through Eastern Europe.

But "the cement of the fear of aggression" that has held together the coalition of the nations of the Free World is also cracking. Here again growing nationalism and self-determination has been a dominant force bringing on a change, through dissatisfaction with U.S. policies is also playing a part. With Washington undecided and no doubt perplexed by the rapidly changing situation, there are indications that greater initiative is passing into the hands of our Western European Allies who have ideas of their own as to the future. In fact, one can almost foresee Western Europe, led by Great Britain and re-united Germany, emerging at some future date as a "third force" – a group of "fence sitters" who will use their bargaining advantage derived from holding the world's balance of power to obtain economic plums from the "dollar bloc countries" on one hand, and on the other from whatever coalition will emerge from the communist-dominated orbit.

The recent gathering of the Big Three foreign ministers in Washington was an attempt to iron out Western differences which had become so wide that they could endanger not only the meeting of the heads of the state in Bermuda or London, but the talks with the Russians as well. The significant thing is that our views no longer carry the weight they used to do during the first two years of the Korean war. It appears that we shall play more and more a lone hand in the future.

But let us now inquire into the reason why we may have to "go it alone", in the future. The main reason for our being pushed unwitting into unwanted iso-

General Matthew Ridgway, outgoing Supreme Commander of the Allied Powers in Europe is returning to the Pentagon. His successor, the able General Gruenther, now takes over.

lationism was already mentioned: it is the rebirth of nationalism all over the world – including the United States.

U.S. Pushed into Unwilling Isolationism

Western European countries have their own ideas of what's best for them. They resent our impatience with their delays in ratifying the European Defense Community Treaty. The fact that Congress has made half of our military aid during the 1953-54 fiscal year contingent on the ratification of this Treaty will hardly make for better feelings.

There is also the matter of U.S. economic aid which is to terminate in 1955. Since Western European countries in two years should be fully on their own, they are likely to become even less cooperative than in the past. Finally there is the matter of Washington's action on "the trade not aid" problem. The opening up of the American market to foreign products is slow in being realized, and some Western European countries see themselves being forced into trading to a greater extent with the communist orbit and Latin America.

Our leadership, of course, has never been popular with the European extreme left and right – wingers. The latter have been accusing us of meddling in the internal affairs of their countries and in the case of France, of inciting the colonial populations against the mother country. The left-wingers and the socialists have been against us because our insistance on re-armament has interfered with pet welfare state measures which in many cases had to be modified.

In Great Britain, the Bevanites – the left wing of the Labor Party – has accused us of all sorts of things, including war-mongering. Now that danger of the third world war has lessened, the Bevanites are putting up a great cry – as do the socialists all over Europe – for the restoration of discontinued welfare provisions and, of course, also for "stretch-out" and "cut-backs in armament programs. These demands are likely to be listened to for internal political reasons, particularly if there should be an increase in unemployment.

While the chances of the Labor Party – judging by some recent by- elections in Great Britain – are none too good, the Laborites are becoming more active. A month or so ago they came out with a new platform that shows that the influence of the Bevanites is on the increase. They propose not only to undo all the "de-nationalising" carried out by the Tories, but to extend nationalism to "all industries where the immediate national need makes the case overwhelming". Broadly interpreted, this could include all the export industries.

Convertibility of Pound Sterling Postponed

Among other reasons for the likelihood that the British will pursue a more independent policy is the pound sterling's future. The British Conservative Government was apparently ready to make "a dash for the convertibility of the pound sterling" at the earliest opportunity, provided the United States would help with credits and other financial facilities. Convertibility was to be the great "pièce-de-desistance" that the Churchill Government was going to offer to the British electorate when seeking the continuation of its mandate – possibly this fall or the next spring. But evidently the Eisenhower government, when approached in the early months of this year, didn't quite commit itself, and so the British must rely on their own resources, if and when to make the pound sterling free.

This will be slow progress. In the British view, Britain's gold and dollar reserves will have to be built up to the $3½ to $4 billion level before an attempt at convertibility is made. On June 30, 1953 the gold and dollar reserves stood at about $2,367 million, which is an improvement over the low point of $1,622 million reached in April 1952, but not enough. Nor are the sterling area's international payments with the dollar area quite in balance.

Meanwhile, however, free convertibility of other European currencies is pending fire despite the fact that such currencies as the Netherland's guilder, German's mark, the Belgium's franc and even Italy's lira are in good shape to weather a dash for it. Yet none of the countries mentioned would go it alone; with the convertibility of the pound too many risks are involved.

The main reason for the slow recovery of Britain's gold and dollar resources lies in the continuation of the balance of payment troubles. The British are simply unable to earn enough dollars from the areas such as Latin America, Europe, and the Near East that pay in dollars. This has been partly due to the inability of British exporters to (1) meet German and American competition in "third" markets, and (2) really break successfully into the American market. Whenever they obtain foothold, British exporters complain, American competitors obtain a tariff increase against their goods. Another reason for the slow growth of British gold and dollar reserves is due to the dollar deficits of sovereign sterling area members which London, as the sterling area's banker, is required to foot.

Frustrated in selling abroad, British manufacturers have turned to the domestic market, to the great delight of the British consuming public but to the consternation of the Chancellor of the Exchequer, R. A. Butler, now the acting Prime Minister. Apparently there is still too much money chasing too few goods in Great Britain. Hence Mr. Butler may be faced with the problem of holding a tighter lid on wage increases and social welfare payments, and redirecting a larger share of investments from less productive sectors (such as private building and public works) into export industries. Such measures spell not only the re-introduction of some controls, but will be highly unpopular with the electorate. Unless Washington comes to their assistance – and rather quickly – in devising a way by which the British could earn more dollars, there will be greater and greater pressure on the part of British exporters to trade with the communist orbit. This is one reason they are ready to act so much faster than we are in making use of the upheavals in the Soviet Union.

Italy and the Coming End of U.S. Aid

Now that the end of our economic aid is in sight, there will be less reason for some Western European countries to toe our line. In many countries our aid has outlived its usefulness anyhow; in others it has just postponed the tackling of the real causes of economic maladjustments. An example of a country that finally got down to brass tacks and is trying to solve its problems by its own action is Greece. The Papagos Government put the drachma on a realistic basic – which was half its previous dollar

value. It is also trying through tax reform to induce Greek ship-owners (the Greeks control the fifth largest merchant fleet in the world) to re-register their ships under the Greek flag so as to benefit from ship earnings.

Except for sustaining the standard of living somewhat at a level higher than it otherwise would have been, the American aid to Italy did little actual good in the last year or two. Following is the opinion of Mr. Frederick C. Crawford, chairman of the Board of Thompson Products Co. of Cleveland who was the head of the "businessmen evaluators" team sent by Mr. Stassen to Italy to report on the effects of our economic aid there:

> *At the end of the war Italy was bankrupt in every way. Now as a result of pouring $3.5 billion into that country, she is 40 per cent better off than she has been in 2,000 years. But despite this dole-like aid, there has been* no fundamental improvement in the economy.

The lack of "fundamental improvement" has been due in Mr. Crawford's opinion to the dollar aid being insufficient to break down the basic barriers to a free economy that had been created in Italy:

> *More than half of Italian industry is government-owned and all of it is in the red and badly managed. As for the rest of businesses in the country they are monopolistic and badly managed – and they want to remain so. Taxes are high. They are based on the production-hour measurements and work so as to keep costs high and wages low. There is corruption of officialdom at almost all levels.*

"We have gone as far as we can with pure aid to Italy" concludes Mr. Crawford, "and we've got to have a new appraisal on our objectives". He believes that the U.S. should provide for employment in Italy by concentrating on buying military goods for the NATO and that it should buy only things that the Italians are good at producing.

The results of the Italian elections held last month make the control of the Senate and Chamber by the coalition centrist parties highly dubious. While Italy was formerly in favor of NATO and EDC, it may be expected to sit on the fence in the future. Here again the lure of neutralism and of avoiding war is too strong despite all our aid to Italy. Italy has nearly two million unemployed and their living standards are pitifully low. At the present time the communists are making most of the converts among the youth who are reaching maturity at the rate of some 250,000 a year and for whom there are few jobs to find. In an interview with Mrs. Anne O'Hare Mc Cormick, of the New York Times, Don Luigi Sturzo, an Italian philosopher and the founder of the Christian Democratic Party which is now in power, made the following observations:

> *We need* outlets for immigration more than we need money. *Until we can provide more opportunities for the young, and more technical training so that Italian workers at home and abroad are not mere unskilled labor, we shall have young people coming of age voting against the Government. They are "protestors" more than communists, but the effect of their frustration is the same.*

Western Europe and U. S. Exports Compared

(in millions of dollars at 1948 prices, f.o.b.)

	Exports of Engineering Prod., Metals and Misc. Manuf. from West. Europe	Exports of Engineering Prod., Metals and Misc. Manuf. from U.S.	Exports of Textiles and Other Manuf. from West. Europe	Exports of Textiles and Other Manuf. from U.S.
A) TRADE WITH NON-DOLLAR MARKETS IN LATIN AMERICA:				
1938	512	241	348	27
1948	588	855	230	81
1950	861	558	204	30
1951	1,061	952	240	68
B) TRADE WITH THE DOLLAR AREA OF LATIN AMERICA:				
1938	105	209	85	79
1948	121	960	76	273
1951	287	1,032	92	260
C) TRADE WITH CANADA:				
1938	83	304	163	92
1948	97	924	193	188
1951	287	1,237	204	249
D) TRADE WITH THE NEAR EAST:				
1938	146	32	126	3
1948	241	57	140	33
1950	338	70	186	20
1951	282	69	143	30
E) INDONESIA AND SIAM:				
1938	127	41	129	4
1948	71	57	42	20
1950	126	42	67	41
1951	198	85	101	70

A)—Includes Argentina, Brazil, Chile and Uruguay.
B)—Includes Colombia, Cuba, Mexico and Venezuela.
C)—Includes Egypt, Iran, Syria and Lebanon.
Source: E.C.E. of the United Nations.

Indo-China and Business Recession in France

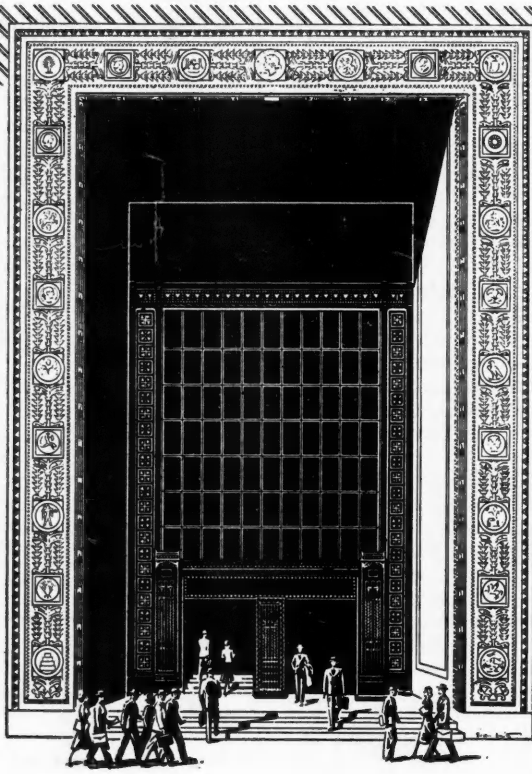
The drying up of American military and economic aid – which will be speeded up if no EDC Treaty is signed – is sure to make new converts for neutralism in France. The French Right and Left Parties, both of which gained in recent municipal by-elections at the expense of the moderate Center Parties, have been among the most outspoken critics of American policies. The nationalists of the Right abhor the day when – to use their own language – "a Frenchman will have to serve under former German SS officers in a European Army." They are determined not to abdicate France's position as the strongest European power to a new and powerful Germany. There is much truth in a quip now making the rounds in Europe that "France wants a German army weaker than the French but stronger than the Russian".

Meanwhile, the Leftists which include the communists who seem to be holding their ground despite the loss of the prestige of the Malenkov regime, have been eager, to quote one Paris correspondent, "to take the Soviet peace offers at their face value and turn French efforts toward the road of peace, dropping defense and all its attendant burdens that prolong the national dependence upon the United States."

Most Frenchmen, irrespective of parties, are quite ready to liquidate the (*Please turn to page* 530)

BANK EARNINGS

—*For The First Half*



By J. S. WILLIAMS

Reports for the first half by the larger banks reflect a variety of eventful changes in the banking situation since the beginning of 1953. These changes have rapidly followed one after another, and in many cases have involved sharply controversial questions of credit policy. They also have created sharp political debate, as often happens when economic relationships are altered. All this, undoubtedly, has contributed to the current confusion in the minds of investors and to the decline in prices of leading bank stocks to around their year's low, despite the generally improved earnings and strong balance sheets as indicated by their June 30 statements.

As background to the changes in the position of individual banks, a brief review of the money market reveals a series of fundamental changes.

These changes are a part of, or else stem from, the broad program of President Eisenhower, the new Administration, and the new Congress, for continuing the removal of economic controls that are either no longer necessary or desirable. Among the most important steps taken, in accord with this program were the ending of price controls (along with material allocations, and inventories), wage controls, and credit controls.

The latter included the easing, or complete removal, of restrictions on instalment selling, real estate loans, and margins on secured loans. However, there has been by no means uniform support to these measures and most widespread discussion has been stirred up by changes in general credit policy by the Federal Reserve Banks and the Treasury. Several of these changes have been criticized as "extreme" whereas actually they are only a turn back toward the more normal conditions that prevailed for years, before the great depression of the 1930s and World War II, during which periods interest rates were held down to artificially low levels.

Last January, the Federal Reserve rediscount rate was raised from 1¾ to 2%. That could hardly be considered "extreme," for the rate from the time the System was organized in 1914 until 1930 had never been less than 3 per cent.

Likewise, when the Federal Reserve gradually withdrew its support of pegged prices for U. S. Government securities, the new 3¼% bonds declined to slightly below par, while the long-term 2½s declined to below 90. That, however, does not represent an "extreme" yield. During the 1920s, before the era of bank failures and the resultant preference—amounting almost to an obsession—on the part of the banks for short maturities and liquidity, the yields on U. S. securities averaged around 4%. Moreover, that same yield could be obtained on any maturities desired—treasury bills, notes, certificates, or bonds. There was no curve or "Treasury Pattern" of yields graduated according to maturity.

When the Treasury Department last April announced the new offering of 30-year 3¼s, it was not pushing the market yield up—as many people mistakenly assumed—but merely meeting a market yield that already had risen. Subsequent price action of the new bonds indicated that their terms had met the market almost exactly, as was confirmed by their recovery to par following the padded subscriptions and disappointing weakness at the time of the offering.

Inflation and Credit

It was impossible for the return toward more natural conditions in the money market to be made without stepping on many toes. It brought forth sharp outcries from those who regarded their particular interest as more important than the national interest of preserving the public credit and value of the dollar. The real trouble is that inflation cannot be stopped without putting the brakes on credit; interest rates cannot be raised without causing a drop in the quotations on outstanding bonds; the cost of borrowing to one group cannot be raised without affecting the cost to others.

In the accompanying table comparing money rates and bond yields, it will be seen that the changes during the past year are in every case merely a continu-

ation of the trends in effect since the outbreak of the Korean war in June 1950.

During this period of retreat from an artificially cheap money policy, the Federal Reserve has by no means withdrawn all support from the money market. It has continued actively its open market operations designed to maintain orderly trading in U. S. government issues, to facilitate Treasury refinancing, and to build up the member bank reserves somewhat in order to lessen their need for rediscounting. For the past several weeks the Federal Reserve has been acting to ease the money market by purchasing substantial amounts of Treasury bills.

Reserve Requirements Lowered

Then last month the Federal, possibly prompted by widespread grumbling and political repercussions over its tight money policy, announced a further step toward easing the situation by lowering the reserves required to be held by all member banks against their demand deposits. These was lowered from 24% to 22% for the banks in New York and Chicago, and from 20% to 19% for banks in the other large or "reserve" cities, effective July 9, and lowered from 14% to 13% for other member banks, effective July 1. This action released an estimated $1,156 million of reserves, which may then be used by the banks either for a reduction of their indebtedness to the Federal or else to support an increase of several times that amount in their deposits.

Changes in Banks' Position

A study of the June 30 statements of the leading banks in New York and other large centers, whose stocks are widely held among investors, shows that in a majority of cases the total deposits decreased moderately during the first six months of 1953. This decrease occurred principally in net demand deposits, government deposits, and in balances due domestic banks. Time deposits were larger, in line with the continued growth of deposits held by the mutual savings banks.

Changes in Interest Rates and Bond Yields

Since Korea and During Past Year

	June 1950	Year Ago	Latest
MONEY RATES			
Prime commercial loans	2.00	3.00	3.25
Commercial paper, 4-6 mos.	1.31	2.31	2.75
Bankers acceptances, 90 days	1.06	1.75	1.87
Treasury bills, 3 months	1.17	1.82	2.00
Fed. Res. Bank rediscounts	1.50	1.75	2.00
Treasury certificates, 9-12 mos.	1.23	1.89	2.50
Treasury notes, 3-5 yrs.	1.47	2.14	2.75
BOND YIELDS			
Baa Corporate bonds	3.28	3.50	3.90
AAA Corporate bonds	2.62	2.95	3.41
Long-term U.S. bonds	2.33	2.61	3.10
High grade municipal bonds	2.09	2.12	3.07

Accompanying the shrinkage of total deposits this year there was a large liquidation of holdings U. S. Government security holdings, thereby making way for some increase in loans, as shown by the accompanying summary of statistical data for individual banks.

The further growth in the loan total was accounted for, according to the detailed statistics given by the weekly reporting member banks, principally by increases in the loans on real estate, loans to other banks, and the so-called "Other" loans—the latter including personal and business instalment credit in which there has been a heavy increase for financing automobiles, home improvements, appliances, and other goods. There were decreases in the commercial loans (largely seasonal) in loans to brokers and dealers, and in other loans for purchasing and carrying securities.

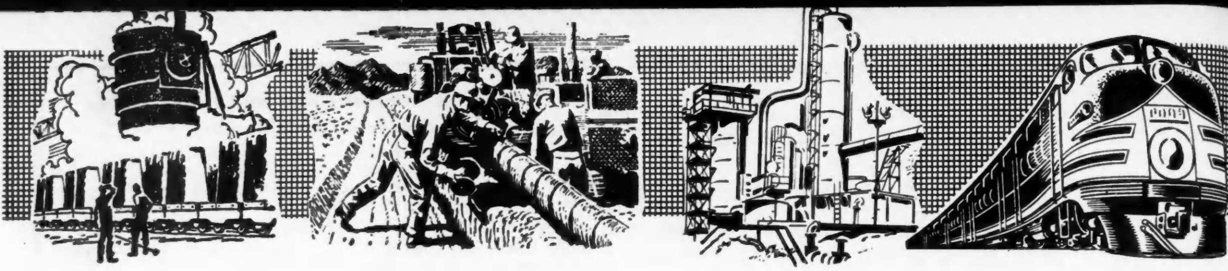
Most of the liquidation (*Please turn to page* 522)

Statistical Data on Leading Bank Stocks

	Total Deposits (Millions)		Loans & Discounts (Millions)		U.S. Govt. Securities (Millions)		Book Value per Share	Earned per Share*		Indicated Current Dividend	Recent Price	Dividend Yield
	6-30-53	12-31-52	6-30-53	12-31-52	6-30-53	12-31-52	12-31-52	1st Half 1953	Year 1952			
Amer. Trust, San Francisco	$1,116	$1,170	$ 558	$ 528	$ 322	$ 363	$ 33.08	$ 1.24	$ 2.48	$ 1.40	$ 28	5.0%
Bank of Amer., San Francisco	7,275	7,485	4,168	4,069	1,490	1,756	17.46	1.45	2.74	1.60	29	5.5
Bank of Manhattan, N. Y.	1,179	1,269	558	583	271	313	33.79	1.32	2.53	1.60	32	5.0
Bankers Trust, N. Y.	1,776	1,907	959	1,012	374	503	57.85	1.79	3.97	2.20	49	4.5
Chase National, N. Y.	4,948	5,247	2,363	2,512	1,010	1,053	50.69	1.71	3.77	2.00	45	4.4
Chemical Bank, N. Y.	1,657	1,881	751	823	334	486	49.27	2.03	3.97	2.00	46	4.3
Cleveland Trust Co.	1,193	1,170	558	528	322	363	33.08	......	2.48	1.40	28	5.0
Continental Ill., Chicago	2,390	2,569	656	767	997	1,297	88.48	3.54	7.03	4.00	83	4.8
Corn Exchange, N. Y.	729	771	189	185	313	343	66.75	2.57	4.71	3.00	61	4.9
First National of Chicago	2,382	2,607	1,137	1,224	720	708	206.70	......	16.50	8.00	240	3.8
First National of N. Y.	543	553	255	245	155	213	474.32	11.63	22.50	22.00	376	5.9
Guaranty Trust, N. Y.	2,434	2,625	1,333	1,566	595	699	77.18	2.01	4.04	3.00	63	4.8
Hanover Bank, N. Y.	1,482	1,677	631	691	457	511	118.43	2.84	7.60	4.00	93	4.3
Irving Trust, N. Y.	1,157	1,264	592	632	250	353	24.28	0.77	1.63	1.10	21	5.2
Manufacturers Trust, N. Y.	2,474	2,726	928	875	737	805	67.88	2.81	5.31	2.80	59	4.7
National Bank of Detroit	1,672	1,640	369	332	706	722	47.70	2.34	4.66	2.00	45	4.4
National City, N. Y.	5,268	5,614	2,277	2,270	1,336	1,427	58.01	2.04[1]	3.98[1]	2.00	49	4.1
New York Trust	677	718	341	337	184	224	120.41	4.36	8.70	5.00	104	4.8
Philadelphia National	781	811	313	319	157	199	94.30	4.01	8.41	5.00	103	4.9

*—Net operating or indicated earnings.

1—Including City Bank Farmers Trust Co.



1953 Midyear Re-appraisals of Values; Earnings and Dividend Forecasts

★ ★ ★

Prospects and Ratings for Food and Dairy—Sugars—Beverages

Part II

Since the end of World War II, investors have had to adjust their thinking to an entirely different set of standards than those of pre-war days. New industries have emerged and the success of some of them, such as electronics and petrochemicals, in particular, has placed an unusually high premium on their common stocks. In some cases, however, these premiums have resulted in the stocks outpacing earnings and this has rendered them especially vulnerable to the type of market declines in evidence recently. It is therefore obviously more necessary than ever to apply realistic standards of value to securities in a market which is showing a pronounced tendency to evaluate earnings on a much more conservative basis than has been true in recent years.

The test of earnings is being applied more rigorously to the older established segments of the market as well, with the result that the sifting process relentlessly exposes situations of weakness as well as those of strength. In the final analysis, the position of each stock depends on the internal factors influencing the company which it represents. These are principally the factors of sales, prices of products, the profit margin (before and after taxes), the margin of earnings over dividends and shifts in working capital position. Without knowledge of these highly important trends, the investor is at a disadvantage.

Because of our appreciation of the importance of such information we are again presenting for the benefit of subscribers our Mid-Year Dividend Forecast and Re-Appraisal of Security Values. In addition to the essential statistics on sales, earnings, dividends and other important data, we have included our comments on the position of each company. In addition, the stock of each company listed is rated according to investment- and speculative-quality, as based on our analysis of the combined factors affecting each company. These comments and ratings should offer a convenient guide for investors.

Important Industries Covered in Mid-Year Re-Appraisal

Railroads — Tobaccos — Textiles — Food & Dairy — Sugar — Liquor and Soft Drinks — Electrical Equipment — Miscellaneous Equipment — Building — Machinery and Machine Tools — Steels — Chemicals — Auto and Auto Accessories — Rubber and Tires — Air and Bus Transport — Oil — Movies.

For the more complete information of our subscribers, we have furnished a complete analysis of the position and prospects for each industry covered. These individual industrial reviews give the latest trends as to sales, prices, inventories, competition and production and as such, they are especially useful as affording a reliable barometer of specific industrial prospects at the end of the first half of the year.

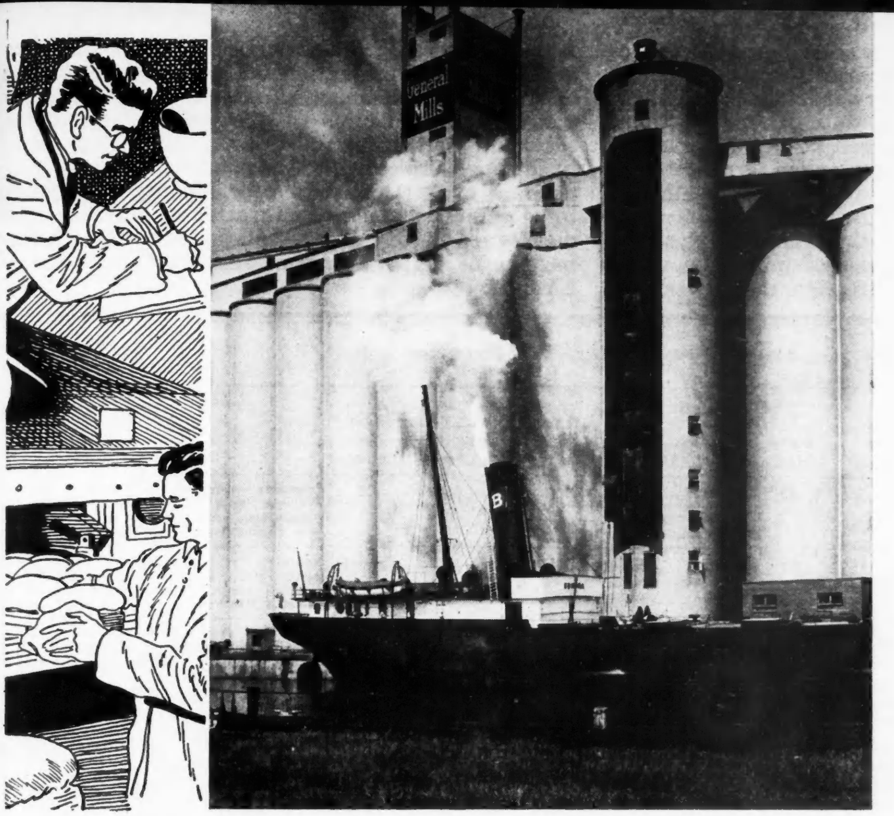
The key to our ratings is as follows: A, Top Quality; B+, Very Good; B, Good; C, Fair; D, Highly Speculative. The numerals which accompany these letters are intended to convey a picture of the actual earnings trend of the company at the present time. Thus, 1—upward; 2—indeterminate; 3—downward. Thus B 1 indicates a stock of good quality with a currently higher trend of earnings.

In special cases, we have marked some stocks with a "W" and others with an "X". Those with "W" should be held essentially for income return. Those marked "X" seem more suitable for holding for appreciation.

It is advisable that subscribers consult Mr. A. T. Miller's market advice, appearing in each issue. This may aid in better timing of purchase and at least should furnish the subscribers with the latest market information as a general background to any specific security transactions contemplated.

For the guidance of subscribers, we should emphasize that our investment policy at this time must be governed by the obvious necessity of applying the utmost care and even conservatism in the valuation of stocks. This is especially due to the transitional character of the present market. Therefore, any ratings herewith attached to individual securities are subject to change as future conditions develop.

These will be noted in future issues of the Magazine.



.... *Upswing in* ....

Foods and Dairies

By STANLEY DEVLIN

The old adage, "It's an ill wind that blows nobody good," aptly describes the thorough readjustment in economic conditions which has had a favorable impact on the prospects for processors of food and dairy products. Propitious weather conditions, contributing to an abundance of farm commodities, account in large measure for a downward trend in prices paid to growers. At the same time, a high level of national income has enabled processors to raise prices in some instances to compensate for increased distribution costs. The result is a widening in profit margins to the most satisfactory rate in years, while farmers have been complaining of reduced income.

Food processors usually encounter difficulties in inflationary periods, especially in war time when attempts to control prices and wages tend to hold down margins of those engaged in processing and distributing necessities. The industry has accomplished wonders in recent years in maintaining reasonable profits while commodity prices have been rising along with wages. Retail prices of foods have held fairly stable. The answer is to be found to a considerable extent in economies made possible by research in packaging. Assembly line operations with the benefit of improvements in cellulose materials, etc., have enabled processors to hold down distribution costs. Steadily rising sales volume has been another important factor in counteracting adverse conditions.

Now that price controls have been eliminated and farm commodities have declined or stabilized, processors have been able to bolster their position in some products which previously had afforded little if any profit. Generally, indications point to continued gains in sales in reflecting a high level of consumer demand as well as a record total of national income. Despite additional wage increases granted in most industries, processors have been able to widen their margins this year and appear well situated to record higher earnings than in 1952. Elimination of excess profits taxes at the end of this year would point to modest gains for some companies in 1953, assuming that raw materials costs remain satisfactory.

Government regulation has contributed importantly to improvement of operations in the dairy industry, one of the most vital segments of the food business. Disastrous marketing conditions of the 1930's, accompanied by strikes and riots, led to adoptions of controls in many states under which prices paid to farmers are fixed by law and margins charged by milk distributors are closely scrutinized. The result has been establishment of orderly marketing arrangements under which distribution of fluid milk is more satisfactory than in the days of unrestricted competition.

Outlook for Dairy Companies

Processors have been placing increasing stress on cheese, ice cream, puddings and other products made from milk with the result that a larger volume of this important food is reaching the consumer in other channels affording wider margins to the distributor. Conditions in recent months have become especially favorable for dairy products processors. Milk supplies have steadily increased since late 1952 in reflecting an expansion of herds and a reduced consumer demand for beef. Buying prices have dropped to the lowest figure in three years. Inas-

much as raw milk prices decline faster than selling prices of processed foods, margins tend to widen.

Dairy companies look forward to improved conditions this year as rising national income spurs consumption at a period when costs of raw materials are declining. Over the longer term, the outlook appears reassuring, for per capita consumption of milk is growing along with the population in reflecting the benefits of educational campaigns stressing the health giving qualities of milk. The major milk companies also are stressing development of new products not necessarily identified with dairy products. As consumption of creamery butter has declined, for example, many processors have expanded the production of margarine. Sales of the substitute spread increased last year, as legislative handicaps were eased, to the point where margarine use now exceeds that of butter. This trend appears to be gaining momentum, threatening to reduce the market for butter. At present, however, the government price support program serves to protect dairy farmers.

Statistics on Leading Food Processors

	Net Sales 1952 (Millions)	Net Per Share 1st Quarter 1952	Net Per Share 1st Quarter 1953	Net Per Share Full Year 1952	Indicated Current Div.	Recent Price	Div. Yield	Investment Rating	COMMENTS
American Bakeries Co.[12]	$ 82.5	$ .89[10]	$ .95[10]	$3.29	$2.00	29	6.8%	C2	Economies anticipated through consolidation with Purity Bakeries expected to aid in sustaining profit margins despite rising costs. Generous dividend indicated.
Beatrice Foods	235.4[1]	.50[13]	.65[13]	3.67[1]	2.25	36	6.2	B+1	Expansion into new areas is expected to bolster volume and afford opportunity for widening margins. Increase in earnings indicated this year.
Beech-Nut Packing	81.4	.43	.53	1.90	1.60	30	5.3	B1	Addition of new products should aid in enlargement of sales to new high record and lift earnings to $2.50 a share. Usual $1.60 dividend likely.
Best Foods	82.1[2]	1.96[3]	2.03[3]	3.23[2]	2.50	36	6.9	B2	Relaxation in restrictions on sale of colored margarine contributing to gain in sales. Better showing indicated for year just begun. $2.50 dividend likely.
Borden Co. W	768.0	n.a.	n.a.	4.11	2.80	55	5.1	A1	Further modest growth in sales and in earnings indicated in reflecting population rise and addition of new products. Dividends of $2.80 for year indicated.
California Packing	215.6[1]	n.a.	n.a.	2.94[1]	1.50	24	6.2	C1	Assuming adequate fruit and vegetable crops, sales this year should increase moderately and afford wider margins to boost earnings to perhaps $4 a share.
Clinton Foods	117.2[4]	.01[5]	1.94[5]	1.50[4]	1.10	25	4.4	C1	Improvement in frozen juice concentrates and better margins on corn refining likely to lift earnings for year to almost $4 a share and encourage hope of dividend rise.
Consolidated Grocers	195.8[2]	.78[6]	1.31[6]	.57[2]	1.00	14	7.1	C2	Continued earnings recovery indicated in reflecting wider margins and enlarged volume from acquisitions. Maintenance of modest dividend likely to aid financial growth.
Continental Baking	180.8	.23	.97	3.24	1.60	23	6.9	C1	Rising costs and gradual curtailment in consumer demand for bakery products seem likely to retard gains, but outlook favors maintenance of $1.60 annual dividend.
Corn Products Refining	183.1	.72	1.26	4.61	3.60	70	5.1	A1	Downtrend in raw materials costs promises to bolster margins as high national income sustains consumer demand. Moderate gain in earnings and regular $3.60 dividend seen.
Cream of Wheat	10.0	.33	.44	1.88	1.85	26	7.1	B2	Rising packaging and distribution costs tend to offset benefits of lower raw materials, but modest earnings gain likely. Adequate coverage for regular $1.60 rate.
General Baking	120.0	.09	.06	1.38	1.00	13	7.6	C3	Enlargement of sales anticipated from new acquisitions, but margins remain narrow. Modest earnings improvement seen. Higher dividend may aid financing for expansion.
General Foods	701.0[7]	n.a.	n.a.	4.31[7]	2.65	55	4.8	A1	Introduction of new products and disposal of less attractive items suggest emphasis on growth in sales. Earnings gains indicated as basis for eventual increase in dividend.
General Mills	468.8[8]	n.a.	n.a.	3.94[8]	2.00	55	3.6	B+2	Aggressive promotional activities aimed at checking trend toward reduced consumption of bread and pastries. Curtailment in flour milling may point to reduced sales volume.

n.a.—Not available.
(d)—Deficit.

1—Year ended February 28, 1953.
2—Year ended June 30, 1952.
3—9 months ended March 31.
4—Year ended Sept. 30, 1952.
5—6 mos. ended March 31.
6—36 weeks ended March 7.
7—Year ended March 31, 1953.
8—Year ended May 31, 1952.
9—Year ended November 30, 1952.
10—16 weeks ended April 18.
11—Year ended April 30, 1953.
12—Formerly Purity Bakers, merger effective 6-15-53.
13—Quarter May 31.
14—6 mos. ended Oct. 31.
15—6 mos. ended Nov. 30.

Processors of packaged foods are experiencing many of the favorable trends prevailing in dairy products. With most farm commodities declining or at least showing a stable price behavior, profit margins have been improving in spite of rising labor costs. High national income and population gains also have contributed to the growth in consumption. Adoption of attractive packages probably has spurred the distribution of foods in super markets. Research has been utilized to develop new products having wide appeal. Altogether, sales of virtually all food processors have continued to expand steadily. Rising volume has been obtained with a minimum of expenditure for new facilities. Although margins are kept narrow by keen competition, leading companies specializing in packaged foods, such as General Foods, Standard Brands, Best Foods and the like have done well and appear headed for further gains this year.

Canners of vegetables and fruits have been favored by lower costs and a relatively high level of consumption. These com- (*Please turn to page 528*)

Statistics on Leading Food Processors (Continued)

	Net Sales 1952 (Millions)	Net Per Share 1st Quarter 1952	Net Per Share 1st Quarter 1953	Net Per Share Full Year 1952	Indicated Current Div.	Recent Price	Div. Yield	Investment Rating	COMMENTS
Heinz, H. J.	219.5[11]	1.90[14]	1.63[14]	3.25	1.80	31	5.8	B1	Rising population and high national income likely to sustain demand for popular food products. Wider margins and earnings gains indicated in new fiscal year just begun.
Hunt Foods	59.7[9]	n.a.	n.a.	2.62[9]	.60	14	4.2	C2	Prospects appear promising for continued good earnings in reflecting high national income. Little prospect for increased cash dividend for near term.
Libby, McNeill & Libby	212.1[1]	n.a.	n.a.	1.69[1]	.90	9	10.0	C1	Good outlook for continuance of improved margins and further enlargement in sales indicates best earnings in years and encourages hope of quarterly dividend rate.
National Biscuit W	346.5	.60	.55	2.56	2.00	35	5.7	A1	Further earnings gain indicated in reflecting lower commodity costs and economies from new plants. Consumer demand stable. No increase in regular $2 dividend seen.
National Dairy Products X	1,141.2	.88	1.03	4.23	3.00	60	5.0	A1	Good consumer demand for dairy products and abundance of milk point to further rise in sales. Profit margins satisfactory. Modest earnings gain seen. $3 dividend secure.
Penick & Ford	46.7	.70	.88	2.89	2.00	35	5.7	B+1	Lower corn costs and good consumer demand hold promise of earnings progress and possible consideration of year-end extra dividend. Regular $2 rate appears assured.
Pet Milk	165.2	(d) .53	.23	4.39	1.60	38	4.2	B1	Abundance of milk supplies and good growth in sales point to improvement in earnings to $5 a share or more and encourage hope for increase in modest $1.60 dividend rate.
Pillsbury Mills	314.9[8]	2.09[15]	1.83[15]	4.36[8]	2.00	34	5.9	C2	Concentration on special packaged products to counteract reduced demand for flour may help sustain earnings. Decline in raw materials favorable. Regular $2 rate seems safe.
Standard Brands	357.4	.64	.81	2.62	1.70	28	6.0	B1	Emphasis placed on introduction of new products aimed at improving competitive position offers hope of earnings progress. Dividend of $1.70 or $1.80 indicated.
Stokley-Van Camp	115.4[8]	......	......	1.67[8]	1.00	13	7.6	C1	Outlook regarded as encouraging for modest improvement in results over year just ended in reflecting lower costs, but no increase in regular $1 dividend likely.
Sunshine Biscuits	113.4	1.60	1.41	5.71	4.00	70	5.7	B2	Lower raw materials costs and economies likely in new plants should counteract rising labor factor and improve earnings. No increase anticipated in $4 dividend.
United Biscuit	110.2	1.05	1.06	4.19	2.00	35	5.7	B+1	Benefits of plant enlargement and improvement program should appear in 1953 earnings and contribute to larger volume. No increase foreseen in regular $2 dividend.
Ward Baking	92.1	.38	.41	2.36	2.20	23	9.5	C1	Lower costs expected to improve margins and boost earnings. Higher dividend foreseen to supplement indicated regular $1.80 annual distribution.

n.a.—Not available.
(d)—Deficit.

1—Year ended February 28, 1953.
2—Year ended June 30, 1952.
3—9 months ended March 31.
4—Year ended Sept. 30, 1952.
5—6 mos. ended March 31.
6—36 weeks ended March 7.
7—Year ended March 31, 1953.
8—Year ended May 31, 1952.
9—Year ended November 30, 1952.
10—16 weeks ended April 18.
11—Year ended April 30, 1953.
12—Formerly Purity Bakers, merger effective 6-15-53.
13—Quarter May 31.
14—6 mos. ended Oct. 31.
15—6 mos. ended Nov. 30.

Will SUGAR Depression Continue?

By FRANK W. WALTERS

A combination of unfavorable conditions continue to throw a depressing shadow over the sugar industry. One of these is—too much sugar. Another is high operating costs, including wage scales, especially in Cuba where they are established by Cuban government decree. Still another is the inability, in the face of a plethora of sugar, to adjust world prices to a level providing a decent margin of prifit.

Sugar production has increased throughout the world. The world output, centrifugal and non-centrifugal sugars combined, in the 1951-52 season amounted to 44.4 million tons, raw value. This was 3.5% greater than the previous season's output. Production in 1951-52 of U. S. beet sugar and cane sugar in Florida, Louisiana, as well as this country's supply areas, made up of the Virgin Islands, Hawaii Puerto Rico, the Philippines and Cuba, totaled 13.48 million short tons, raw value. This is 1.33 million tons more than these sections produced in the preceding year. Cuba's production during the season ended during the summer of 1952, was at a record high of 7.9 million short tons.

Undoubtedly, the sugar cane growers had been spurred on to producing bigger crops in the 1952 season by the higher sugar prices that prevailed through most of 1951. On an F.O.B. Cuba basis, world sugar prices in that year soared to 8.05 cents a pound, raw, with the price for the full year averaging 5.67 cents a pound. The best world price so far in 1953 has been 3.65 cents, and an average price of 3.43 cents, although at one time in the first five months of the year, the world price, F.O.B. Cuba basis, touched a low of 3.12 cents a pound, raw value. To round out the price comparison, it should be noted that the best price this year to date is only 3 points higher than the absolute 1952 low of 3.62 cents, which sharly delineates the prevailing softness of the world sugar market.

The domestic raw market sugar has been reflecting a feeling of uncertainty although some firming of prices has been seen with several recent spot sales at prices ranging from 6.40 to 6.42 cents a pound, raw value, duty paid. Recent quotations for sugar for September and November delivery, under Contract No. 6, were 5.92 and 5.93 cents respectively. These compare with 3.56 cents world price for September futures. Whether domestic prices will hold at current levels is a matter for conjecture. Secretary of Agriculture Benson has fixed this year's sugar quota raw value, coming into this country, at 7.9 million short tons, or approximately 200,000 tons below 1953 estimated consumption of 8.1 million tons, the gap being deliberately created as a "negative allowance" for the purpose of keeping sugar prices up. At the same time, it allows for invisible inventory held by candy makers, bakers and other large industrial users, as well as the extra pound or two that may be stored on the pantry shelf in millions of households. There is no way of determining how great or how small this invisible inventory may be.

Under the quota set by Secretary Benson, Cuba's allotment this year amounts to 2,382,720 tons; Puerto Rico's, 1,080,00; Hawaii's, 1,052,000; the Philippines', 974,000; the Virgin Islands' 12,000; the

Dominican Republic's, 24,564 tons, with the balance being apportioned among the Central and South American countries and others, totalling 99,280 tons, raw value. The quota also includes 500,000 tons allotted to mainland cane, and 1,800,000 tons to the domestic beet sugar division of the industry.

Cuba's allotment amounts to approximately 40 per cent of its 1953 total output, down by roughly 28 per cent, through Government restriction on acreage, from the record 1952 production. This cutback has improved the statistical position of the Cuban sugar industry, although it still has in its stabilization reserve, set up out of last year's grind, approximately 1.4 million Spanish long tons. It is expected, however, that this reserve will be reduced by about 400,000 tons through shipment some time in 1954 to Great Britain under contract calling for a total of 1,135,000 tons which that country entered into with Cuban mills last April at prices considerably under world quotations. The contract calls for delivery of the first 684,000 tons before January 1, 1954. This purchase, it is estimated, has reduced Cuba's surplus of raws, exclusive of the stabilization reserve, to around 400,000 tons, giving rise to some optimism that the industry there can close the current calendar year with a surplus some 300,000 tons under that of the previous year.

Supporting this belief is the expectation that sugar beet crops in a number of western European countries will fall short of (*Please turn to page* 527)

Statistical Summary of Sugar Companies

	Fiscal Years ended	Net Sales 1951(*) (millions)	Net Sales 1952(*) (millions)	Net Per Share 1951	Net Per Share 1952	Indicated Current Div.	Recent Price	Div. Yield	Investment Rating	COMMENTS
CUBAN DOMINICAN PRODUCERS										
Central Violeta Sugar	9/30	$ 8.9	$ 11.4	$ 1.41	$ 2.83	$ 1.07[6]	11	9.7%	C3	Lower earnings likely for current fiscal year. Date and rate of next dividend declaration uncertain.
Cuban Amer. Sugar	9/30	66.3	75.1	3.66	3.70	1.00	15	6.6	C3	Although 1953 fiscal year net will probably decline from 1952 level, current conservative dividend should be maintained.
Cuban Atlantic Sugar	9/30	94.3	94.7	3.60	2.07	.57½[5]	8	....	C3	Sharp drop in earnings indicated. Dividend payment suspended and prospects of quick resumption dim.
Francisco Sugar	6/30	15.3	18.2	3.43	2.10	1.00	10	10.0	C2	Will probably fail to match 1952 net of $2.10 a share. Some uncertainty as to amount of dividend at fiscal year-end.
Guantanamo Sugar	9/30	6.8	5.4	2.15	(d) .21	.75[7]	7	10.7	C3	Smaller 1953 earnings indicated. May defer dividend action.
Manati Sugar	6/30	16.4	16.0	3.17	1.37	.60[7]	6	10.0	C3	1953 net will reflect unfavorable Cuban situation. Rate of dividend, if any, at year-end uncertain.
Vertientes-Camaguey	9/30	26.7	28.0	3.35	1.41	.64[6]	8	8.0	C3	Earnings in current fiscal year will probably show sharp drop. Possible dividend declaration overshadowed by uncertainty.
West Indies Sugar	9/30	55.2	46.3	11.86	5.44	1.25	20	6.2	C3	Will most likely show smaller net income for 1953, but conservative dividend should be maintained.
PUERTO RICAN PRODUCERS										
Central Aguirre Sugar	7/31	16.4	16.0	3.35	2.60	1.60	20	8.0	C3	Current year's earnings likely to fall below 1952 results, but should be sufficient for current dividend needs.
Fajardo Sugar	7/31	12.5	17.7	2.65	2.89	2.00	21	9.5	C3	Net this year likely to be under that of 1952. Current dividend rate, rather high compared with current earnings.
South P. R. Sugar	9/30	39.5	37.0	10.98	7.88	4.00	44	9.1	C3	Moderate drop from 1952 net probable in 1953 fiscal year. Should have sufficient coverage, however, for dividend needs.
BEET SUGAR PRODUCERS										
American Crystal Sugar	3/30	41.1[3]	36.3[4]	4.55[3]	4.30[4]	1.50	23	6.5	C2	Improved beet crop outlook and steady domestic beet sugar prices justify expectation that modest dividend will be well covered this year.
Gt. Western Sugar	2/28	69.2[1]	75.3[2]	1.81[1]	1.79[2]	1.45	18	8.0	C2	Net this year may show gain over 1952 results. Dividend should hold at current rate.
Holly Sugar	3/31	45.7[3]	46.5[4]	2.14[3]	1.82[4]	1.00	17	5.8	C2	1952 net hurt by combination of circumstances not likely to be felt in 1953. Conservative dividend should hold.
REFINERS										
Am. Sugar Refining	12/31	282.5	292.3	9.74	10.43	4.00	51	7.8	C2	1953 net should closely parallel last year's results, again providing wide coverage for the relatively conservative dividend.
Nat. Sugar Refining	12/31	140.0	147.8	3.36	3.07	2.00	27	7.4	C2	Net for current year should equal 1952 per share earnings, providing good coverage for $2 a share annual dividend needs.

*—1950-1951, 1951-1952 fiscal years respectively.
d—Deficit.
1—Febr. 29, 1952.
2—Febr. 28, 1953.
3—March 31, 1952.
4—March 31, 1953.
5—Directors June 9 omitted dividend.
6—So far in 1953.
7—Paid in 1952.

Contrasts In . . . .
The Beverages

By H. F. TRAVIS

"Beverages" is a comprehensive word. It has many meanings for many people. To the large and rapidly increasing youth population of this and other countries it suggests the "soft" drinks—the fruit-flavored sodas, the colas and the ginger ales. To the adult population "beverages" mean these things, too. To millions in this latter group, it also suggests whiskey, rum, and other products of the distillers' and vintners' skills—the "hard" drinks. Frequently, the word suggests a mixture of one or the other of both the "soft" and the "hard". This article has to do with both, not as a mixture, but "straight" and dwells on the recent accomplishments of both industries and appraises their immediate prospects.

1. Soft Drink Industry

Major changes are taking place in the soft drink industry. Goaded by competition, keen in some sections of the country, but keener in others, the leaders in the field have become revitalized. They are adopting more vigorous promotion campaigns, making marked changes in methods of distribution, and creating more retail outlets in order to capture a greater portion of a steadily expanding soft drink market, reflecting the constantly growing popularity of soft drinks. It is a big market. Last year, the industry did a business amounting to 1,132,-550,00 cases of 24 bottles each. Per capita consumption was equal to 174 bottles, up by 12 bottles over 1951, when total business amounted to 1,043,825,000 cases.

Naturally enough, the industry wonders if there is a saturation point – a time when demand will level off. Right now, this point or time is not discernible, any more than it was 10 or 20 years ago. There is the obvious fact that an increasing population is indulging to an ever increasing extent in soft drinks. This expansion in sales can be attributed in part to the quality products of the leaders, as well as others in the industry, converting an increasingly greater portion of the population to soft drinks at work and at home. Household consumption has reached such volume that the big super-markets and other food stores invariably maintain permanent, prominent displays of soft drinks in both the large and small bottles. These products rank tenth among all food items sold in these stores.

Points of sale for the small bottles of soft drinks are being increased. Modern vending machines are found at various points in factories, offices, in the theatres, railroad and subway stations, dispensing either in the bottle or by paper cup almost any one of the more widely advertised soft drinks. Even in the laundromat or at the gasoline filling station along the road these machines offer their wares.

There is room for optimism on the part of the soft drink producers. This, however, is tempered by the realization that to stay in the running for the sales sweepstakes it will be necessary for each of them to continue making heavy appropriations for new facilities and broad advertising campaigns, particularly the latter. The competition is formidable. The nationally advertised products of the soft drink producers must compete with a score or more of comparable products put out by as many different companies that have substantial distribution in regional markets. For this reason, the industry, even though

Statistical Data on Leading Soft Drink Companies

	Net Sales 1952 (Millions)	Net Per Share — 1st Quarter 1952	Net Per Share — 1st Quarter 1953	Net Per Share — Full Year 1952	Indicated Current Div.	Recent Price	Div. Yield %	Investment Rating	COMMENTS
Canada Dry	$ 66.5[1]	$ .33[2]	$ .45[2]	$1.11[1]	$ .70	12⅜	5.6	C1	Further earnings gain looked for, providing improved margin over dividend which should hold at current rate.
Coca-Cola	245.6	.96	1.06	6.38	5.00	109	4.5	B+2	Modest gain in 1953 net indicated despite higher costs. Strong competitive position and solid finances bulwark $5 a share annual dividend.
Dr. Pepper	9.7	.18	.13	.83	.60	11⅜	5.2	C2	Development of new sales territories should help earnings. 1953 net should cover dividend needs.
Hires (Chas. E.)	8.8[1]	(d).63[2]	(d).35[2]	.79[1]	.60	11⅛	5.3	C3	Favorable seasonal weather should pull earnings up to dividend level, but thin margin creates some uncertainty.
Nehi Corp.	12.3	.13	.13	.91	.70	11¾	5.9	C3	Increased costs restricting profit margins. Competition retards growth, but 1953 net should cover dividend needs.
Pepsi-Cola	53.2	.03	.10	.67	.35	14⅛	2.4	C1	Look for continued gain in sales and net. Need for intensive promotion likely to hold dividend to present rate.

(d)—Deficit. **1—Year ended Sept. 30, 1952.** **2—6 mos. ended March 31.**

it was confronted with rising manufacturing and other costs over the last few years, was reluctant to put a price boost into effect until a few months ago. At that time, Pepsi-Cola advanced its price to bottlers by 20 cents a case of 24 twelve ounce bottles, moving the retail price up by two cents a bottle. Other producers moved along boosting split-size bottles up two cents and advancing the price of family-size containers by five cents.

Meanwhile, the leaders continue their efforts to improve operating techniques and effect economies, the results of which in combination with better prices, should be reflected in improved earnings. How much of an improvement depends, to some extent, on weather conditions throughout the balance of the summer months; that is, if temperatures are high enough to keep the populace beating a path to the household refrigerator, the soda fountain or the vending machines for a cooling soft drink.

Two Soft Drink Companies

Canada Dry Ginger Ale appears likely to make a satisfactory showing in its fiscal year ending next Sept. 30th. In the first half, net for the common stock increased to 44 (*Please turn to page* 524)

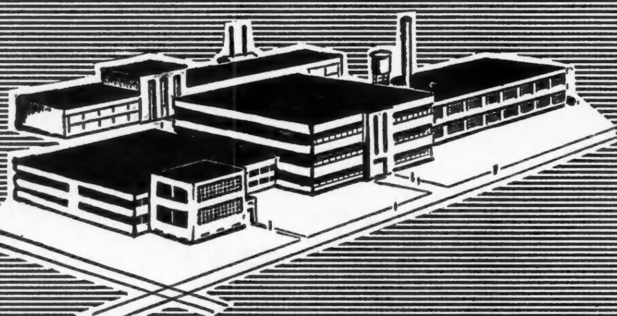
Statistical Data on Leading Distillers

	Net Sales 1952 (Millions)	Net Per Share — 1st Quarter 1952	Net Per Share — 1st Quarter 1953	Net Per Share — Full Year 1952	Indicated Current Div.	Recent Price	Div. Yield %	Rating Investment	COMMENTS
American Distilling	$ 65.4[1]	$1.71[2]	$1.36[2]	$2.81[1]	$2.00	33½	5.9	C2	Improved trade position should help profit margins through balance of fiscal year, providing good dividend coverage.
Brown Forman Distillers	68.5[7]	n.a.	n.a.	3.20[7]	.80	13⅜	5.9	C2	Earnings should continue uptrend esatblished in 1952-53. Could raise dividend rate.
Distillers Corp.-Seagrams	741.7[3]	3.14[4]	3.39[4]	4.25[3]	1.70	27¾	6.1	C1	Likely to duplicate previous year's net of $4.25 a share. Conservative dividend well covered.
National Distillers	470.1	.38	.26	1.13	1.00	18¼	5.4	C2	Possible improvement in earnings. Should continue present rate of dividend payments.
Publicker Industries	149.3	.01	.34	.92	......	13	....	C3	Improved liquor and chemical business likely to pull net up above 1952 level. No immediate prospects, however, for cash dividend.
Schenley Industries	426.4[5]	2.11[8]	1.41[8]	2.76[5]	2.00	24¼	8.2	C2	Disappointing first 9 months' results indicate full year's net short of dividend needs. Good cash position gives protection to current dividend.
H. Walker-Gooderham & Worts	306.9[5]	4.41[6]	5.03[6]	5.43[5]	3.00	48½	6.1	C1	High earnings reflect strong trade position. Strong finances and wide dividend coverage suggests modest year-end extra payment.

1—Year ended Sept. 30, 1952.
2—6 mos. ended March 31.
3—Year ended July 31, 1952.
4—9 mos. ended April 30.
5—Year ended August 31, 1952.
6—9 months to May 31.
7—Year ended April 30, 1953.
8—9 mos. ended May 31.
n.a.—Not available.

Five High-Yield Stocks

—That Meet Six Important Investment Tests



By OUR STAFF

There are many tests an investor can apply to common stocks to determine which issues best meet his requirements. What tests are applied depends, of course, on what the individual is seeking from an investment. Some, for example, are primarily interested in issues that have shown consistent earnings over a long period of years and represent companies operating in fields more or less free from cyclical conditions. The first requirement of such investors obviously is comparative safety of principal. Others are more interested in "growth" stocks. They are content to regard immediate income in dividends as of secondary importance, looking instead to capital gain over a long term.

The tests to which common stocks are put by prospective purchasers are likely to vary with the ideas of the individual investor. Some will utilize certain tests while others will work along different lines, although, despite the variations, all the tests have the same objectives.

Recently, several of our subscribers have written us that when considering a possible commitment in a common stock they like to subject the issue to six tests. These we have incorporated in the accompanying box, and are worth studying.

We believe the merit of these tests lies in the fact that where a company can qualify, certain elements of risk are eliminated. For example, applying the tests where a company has shown a very wide margin of earnings over dividends may indicate conservative as well as capable management.

Of the six tests, the first, book value, is of the least importance. The second test, involving ratio of common stock to total capitalization, is of value in that it throws light on "leverage." Of particular importance, however, is the per cent of common share earnings over per share dividends, and the amount of earnings that have been retained in the business.

The six tests are somewhat severe. Some issues will qualify under all six; others, while of considerable merit, will fall short under one or another, especially under the test pertaining to book value or net return, or both. We have analyzed a number of companies in the search for those that could pass these tests more or less successfully. We have selected, as a result of this testing, the five stocks set forth in the accompanying tabulation.

These selections are not presented as outright recommendations for purchase at this time in view of market uncertainties. Better purchasing opportunities may materialize later on. In the meantime, however, we thought it worth while to call attention to these issues, believing the list might be of value for future reference. The tabulation shows some interesting figures on all five issues which the tests turned up, on which we make further comment as follows:

Armco Steel passed Test No. 1 in that book value of the common stock is 52.4% of current market price. Test No. 2 was successfully met because the common stock constitutes 39.3% of Armco's total capitalization. Test No. 3 shows that five-year average annual earnings were approximately 3¾ times the five-year average annual dividend, although it failed Test No. 5 by a mere 3.5%, having retained 46.5% of total five-year net to be put back into the business. With ratio of current assets to current liabilities of 2.5-to-one and a current dividend yield of 8%, both Tests Nos. 5 and 6, were successfully passed.

Armco Steel in the five-years, 1948 to 1952, was able to show total net earnings of $176.2 million. Its average annual dividend in each of these years has been at a $3.00 a share annual rate, and after dividend payments carried to surplus a total of $93.6 million. It has spent over $200 million since 1946 in plant improvement and expansion. Its working

capital at the end of 1952 was at the highest level in a number of years, amounting to $124 million. Armco, by acquiring an interest in companies developing taconite deposits in Minnesota and the Quebec-Labrador area, is protecting its ore supply, and has improved its position by going more heavily into production of sheet and strip steel which offer higher profit margins and appear to have the best growth possibilities.

Cluett, Peabody falls short on several of the tests, but by such a thin margin that it is entitled to a place in the list, considering its good showing under Tests Nos. 3, 5, and 6. Its book value exceeds current market price by 34.8%. Its common stock constitutes 28.3%, or only 3.7% less than the required one-third of total capitalization, but five-year average annual earnings exceeded average annual dividends by 83%. Under Test No. 4 retained earnings in the last five years amounted to 40% of the total instead of the required minimum of 50%. It had, however, a substantial 5.6-to-one ratio of current assets to current liabilities, and also passed Test No. 6 with a dividend yield of 6.2%.

Cluett, Peabody within the five years since the beginning of 1948 has shown net earnings totaling $19.3 million. After payment of dividends on its common stock at an average annual rate of $2.45 a share, $7.5 million, or 47.3% of total net has been put back into the business. An outstanding development has been the reduction during the 5-years in long-term debt from $10 million in 1948 to $1.5 million, this balance being payable in 1954. The company, the leading manufacturer of men's shirts, collars and other garments also owns the "Sanforizing" process of shrinking cotton fabrics used by licensees, royalties on which contribute importantly to Cluett, Peabody's earnings. It also owns "Sanforlan" a woolen shrinking process, introduced a few years back and reported to be growing in importance as a royalty producer.

Crane Co., meets all six tests. Book value exceeded current market price by 108.3%. The common stock represents 63.4% of total capitalization and average annual earnings for the five years through 1952 were a little more than twice the average annual dividend over the same period. Crane has put 50.2% of total net income for those years back into the business. Test No. 5 shows the company to have a ratio of 5.8 to-one of current assets to current liabilities. The current yield on the stock is 6.8%.

Crane Co., the leading manufacturer of plumbing supplies and fixtures, valves and related products had total net earnings in the five year period to the end of 1952 amounting to $65.5 million. After paying

SIX IMPORTANT INVESTMENT TESTS

1. **Book value should be approximately 40-50% in excess of market price at time of purchase**
2. **Equity should be about one-third of total capitalization**
3. **Average earnings for at least five consecutive years should be 50% or more in excess of average annual cash dividend payments**
4. **Approximately 50% of average annual earnings should have been retained for reinvesting in the business**
5. **The ratio of current assets to current liabilities should be not less than two-to-one**
6. **The net return, based on purchase price, should be not less than 6%**

dividends on its common stock in each of those years at an average annual rate of $2.46 a share, it was able to return to the business close to $33 million, or 50.2% of the five-year total net income. In that period capital expenditures for property, plant and equipment totaled $29.7 million; net working capital was increased from $64.4 million to $118.3 million. The company has diversified activities by acquisition in 1951 of HydroAire, Inc., producing components for aircraft and aircraft engines and developing in the electronics field. Crane also has been carrying on research looking toward the production of titanium metal, and is now negotiating with the Government for building a plant for large scale production of this important metal and its alloys.

International Harvester has a book value of 63.8% over current market price of its common stock, which constitutes 59.4% of total capitalization. Thus, the issue passes Tests Nos. 1 and 2 with high marks, as it does No. 3. Under the latter, 5-year average annual earnings were 120% in excess of 5-year average annual dividends. It has retained 49.6% of earnings during the last five years to be put back into the business. Its ratio of current assets to current liabilities was 3.1-to-one. Test No. 6 is successfully met inasmuch as the yield on the stock equals 7.2%.

Harvester's net earnings in the five years beginning with 1948, totaled (*Please turn to page* 526)

Five Companies That Have Passed Six Important Investment Tests

	Book Value	Current Price	Test No. 1 Excess of Book Value Over Price %	Test No. 2 Common Stock to Total Capitalization %	Test No. 3 5-Yr. Av. Annual Earnings Per Share	5-Yr. Av. Annual Dividend Per Share	Test No. 4 5-Yr. Total Earnings Retained %	Test No. 5 Ratio of C/A to C/L*	Current Dividend	Test No. 6 Yield %
Armco Steel	$56.77	37¼	52.4	39.3	$ 7.98	$ 2.90	46.5	2.5-1	$ 3.00	8.0
Cluett, Peabody	42.83	31¾	34.8	28.3	4.65	2.45	40.0	5.6-1	2.00	6.2
Crane Co.	60.42	29	108.3	63.4	5.21	2.46	50.2	5.8-1	2.00	6.8
International Harvester	45.07	27½	63.8	59.4	4.25	1.93	49.6	3.1-1	2.00	7.2
Sinclair Oil	50.01	38	42.8	24.0	6.03	2.32	63.1	2.0-1	2.60	6.8

*—Ratio of Current Assets to Current Liabilities.

FOR PROFIT AND INCOME

Recovery

Up to this writing the Dow industrial average has rallied enough to make up roughly one third of its total decline from the major high of last January to the mid-June low. Rails have recovered a little over half of their comparable prior decline. The utility average has made up a fourth of the sell-off from its March major high to the June low. But on no previous phase of improvement, following a sell-off, during the major upward trend from mid-1949 have so few individual stocks shown exceptional strength. Among the comparatively small number of stocks which have recently recorded new highs for 1953 or longer have been Continental Can, General Telephone, Denver & Rio Grande Western, Safeway Stores, Hiram Walker, Minneapolis & St. Louis, American Tobacco, Minnesota Mining & Manufacturing, and Reynolds Tobacco "B".

Reasons

Continental Can is a gradual-growth-situation stock of medium grade. Earnings this year probably will moderately better 1952's reduced $4.22 a share. A boost in the $2.40 dividend, yielding only 4.4% at current price, seems improbable. The recent bull-market high of $55\frac{1}{4}$ was only moderately above 1946 high of $53\frac{7}{8}$ and well under the highs of 1937 and 1929. There would seem to be nothing here to get excited about . . . Aided by rate increases, 1953 net of General Telephone might be $4 a share, or a little more, against 1952's $3.15. The $2.20 dividend, yielding over 5.4% at current new bull-market high of $40\frac{1}{4}$, might be modestly increased. The stock remains well under 1946 high of $49\frac{1}{2}$, but above all earlier highs. The potentials in this issue certainly cannot be dynamic . . . Reorganized in 1947, Denver & Rio Grande Western is a speculative rail with high earning power under favorable conditions. Net was $18.46 a share in 1952 and might be more this year. The $4 dividend could be raised. At current new 1953 high of $85\frac{1}{2}$, the stock has duplicated its 1952 post-reorganization high. Near-term speculative potentials may be above average . . . Similar considerations apply to the speculative Minneapolis & St. Louis at new 1953 high of $20\frac{1}{2}$, which compares with highs of $21\frac{3}{8}$ in 1951 and $23\frac{1}{4}$ in 1946. Net might better 1952's improved $3.50 a share, which was well under best postwar figure of $4.61 in 1950. It is problematical whether dividends will exceed $1952's $1.10 total.

Others

Safeway Stores may net over $3.50 a share this year, against 1952's depressed $2.01, down from postwar high of $5.04 in 1949. It is unlikely that the $2.40 dividend, yielding about 6.5% at current price, will be raised. The general tendency in the food store field is toward moderately higher dollar sales and somewhat better margins, now that OPS price control has for some time been out of the way. At new 1952-1953 high of 37-2/8, the stock remains a little under 1951 and 1950 highs a fraction over 39 . . . New highs for

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Shamrock Oil & Gas	6 mos. May 31	$1.91	$1.69
Sheaffer (W. A.) Pen Co.	May 31 Quar.	.50	.26
Gulf States Utilities	12 mos. May 31	1.63	1.25
Mueller Brass Co.	May 31 Quar.	1.88	1.14
Kroger Co.	24 weeks June 13	1.78	1.60
Texas Utilities Co.	3 mos. May 31	.72	.62
Schenley Industries	May 31 Quar.	.28	.17
Consolidated Textile	May 30 Quar.	.25	.10
Armour & Co.	13 weeks May 2	.75	.19
Brown-Forman Distillers	Year April 30	3.20	2.35

recent years for American Tobacco and Reynolds should be no surprise, as prospects for all leading cigarette makers for 1953 and beyond are good. The stocks remain well under highs reached in earlier bull markets . . . Minnesota Mining is a premium-priced growth stock. Net probably will moderately better 1952's $1.96 a share. Some promising new products are understood to be "on the way". The recent 1952-1953 high of 49½ compares with all-time high of 54. If you do not mind a low yield (only a little over 2% from the $1 dividend) and a premium price, this is no doubt a good stock to stick with for the long pull.

Halliburton

This stock had its reaction on profit taking following news of proposed two-for-one split, and has now rallied back to within the equivalent of 2 points or so of earlier high of 56½, with the split effective and the dividend raised to the equivalent of $3.60 on the old shares, against previous rate of $3. The current yield on this basis is 6.6%. With the good news out, the stock might not do much for a time, but we continue to regard it as a good longer-term value, taking into account the reasonable price-earnings ratio (about 9 times probable 1953 net of $3 a share or so on the split stock), the good yield, well-founded growth prospects and the recession-resistant characteristics of the business, as heretofore noted.

National Tea

Operating about 750 food stores in mid-West states, this company has been on the upgrade since new and aggressive management took over early in 1947. Sales were $157.6 milion in 1946 and may reach $450 million or so this year. Much of the story is acquisition of smaller food-store chains, and then building up their sales and profits per store. Under OPS price control, earnings were squeezed down from 1951 peak of $3.31 per share to $2.05 in 1952, but may well rebound to $3 or more this year. The $1.60 dividend rate, yielding 5.5% at current price of 29, might be raised. The management's record implies a good chance that new profit peaks are ahead. Offering a fairly good yield and a better appreciation potential than most other food-store issues, this stock has merit for relatively conservative accounts.

Splits

Up to mid-July there had been nearly 60 stock splits effected or proposed in 1953, which is not greatly less than the full-year total of 1952. There will no doubt be a number of others this year. A renewed market decline could check the trend, especially if of important proportions; but there were splits in the second quarter with the market mostly reactionary. Stocks usually advance, more or less, prior to splits. The only basic reason why they should is a higher dividend following the split, which develops in most cases, but by no means all. At any rate, the habit of split-rumor or split-news advance is so well established that some people are always willing to bet on it. The only way of picking stocks which might possibly be spit at some future time is on the basis of relatively high market price or the past leanings of managements towards splits or both. It is very far from a fool-proof method, for some managements have for years shown no apparent objection to very high prices for their stocks. That has been so, for instance, of International Business Machines, which is now at 236 and which has not sold under 100 since 1948, although there have been some earlier splits; and of Superior Oil, which is now around 550 and has not sold under 100 since 1945. Therefore, it is necessarily with fingers crossed that we cite the following stocks as future split possibilities: Amerada Petroleum, Borg-Warner, Cities Service, General Electric, Monsanto Chemical, Rohm & Haas, Seaboard Oil, Standard Oil of Indiana, Texas Pacific Land Tust and U. S. Gypsum.

Stock Dividends

Equities of companies that pay stock dividends fairly frequently have appeal for investors in middle and higher tax brackets, since stock payments are not subject to income tax. In 1949-1953, inclusive, Eastman Kodak, to name one of many examples, has paid five stock dividends ranging from 5% to 10% each. The cash rate is only $1.80, yielding less than 4.3% at current price of 41½. But a 5% stock dividend, at curent market price, would add about $2.10 a share to the return, making a total of about $3.90; for a yield of more than 9%, over half of which is non-taxable. The trouble is that continuing stock payments each year are neither assured nor likely. If you are interested in stock-dividend income, your best bet is Sun Oil. Over the period 1929-1952 it paid stock dividends in 17 years, skipping only seven years. They ranged from 3% to 20%, averaging a little over 9% in the seventeen years; and averaged about 6.6% a year for the entire 24-year period. Probably 6%, on average, would be reasonable long-term expectancy. That is $4.26 on current price of 71 and, with the $1 cash rate, makes $5.261 or an over-all return of 7.4% with the major part of it tax-exempt.

Mixed

Total dividend payments remain around record levels, but with many cross currents. Take the June record. Dividends were reduced by, among others, American Smelting, Caterpillar Tractor, Cerro de Pasco, Davenport Hosiery and Parke, Davis; omitted or deferred by Cuban Atlantic Sugar, Goodall-Sanford, Godchaux Sugar, Robbins Mills and U. S. Smelting. On the other hand, payments were raised by General Mills, American Molasses, National Airlines, Sea-

(*Please turn to page* 529)

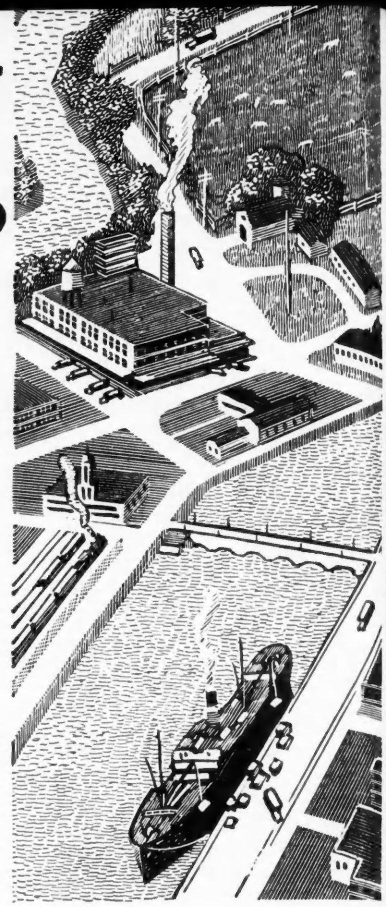
DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Wilson Jones Co.	9 mos. May 31	$ .20	$1.38
Champion Paper & Fibre Co.	Year March 31	3.82	4.30
El Paso Natural Gas Co.	12 mos. April 30	2.52	3.06
Virginian Rwy.	5 mos. May 31	1.22	2.08
Warner Bros. Pictures	6 mos. Feb. 28	.37	.66
Dresser Industries	6 mos. April 30	1.12	2.18
Stevens (J. P.) & Co.	May 2 Quar.	.51	.86
Northrop Aircraft	April 30 Quar.	.61	1.28
Grayson-Robinson Stores	9 mos. April 30	1.16	1.74
Distillers Corp.-Seagrams	April 30 Quar.	.74	.90

The BUSINESS ANALYST

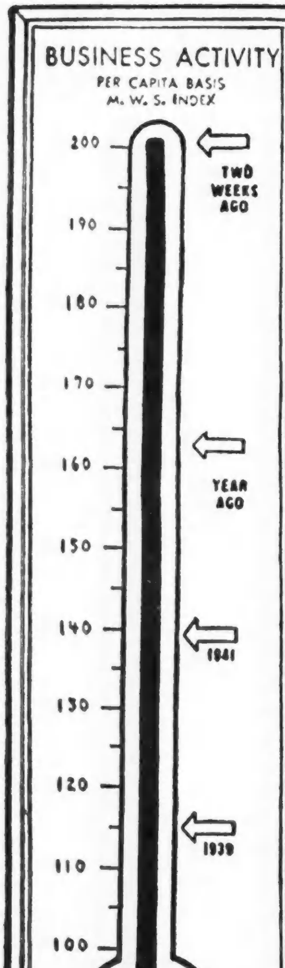
★ ★ ★

What's Ahead for Business?



By E. K. A.

Federal price supports for farm products have failed in several instances during the past year to provide the "props" to farm income and the economy generally that their adherents have always claimed for them. During the season just ended, wheat prices failed—for the first time since government price-supporting loans to farmers were instituted—to reach the loan level. In recent months, wheat has sold as much as 65 cents a bushel below the government loan value.



Corn has fared better than wheat, since the major part of production usually is withheld by farmers for feeding, but corn prices too have fallen below their loan values. Approved storage space, a requisite for obtaining government loans, is inadequate for storing the huge carryovers from previous crops and the current large crops. The situation was dramatized recently by the Washington announcement that loans would be made available, on a temporary basis, for wheat stored by farmers "on the ground" in a number of important producing areas.

Cotton prices declined during the past Spring to about the government loan value and probably would have fallen well below the loan had it not been for the fact that unfavorable weather in the South curtailed sharply the amount of acreage that farmers had intended to plant for the 1953 crop. In the case of cotton, the storage problem is less acute than in wheat and corn.

Maintenance of unrealistically high government support prices long beyond the time when there was any economic necessity for such action, the reluctance of Washington to impose acreage and production restrictions on wheat and corn farmers for fear of alienating their votes, and steady shrinkage of export demand have resulted in a near-breakdown of the government farm program.

The present Administration has committed itself to maintain price supports through loans to farmers at 90 percent of "parity" for the 1953 and 1954 crops. Loans at a lower level, more in line with reality, were enacted in postwar farm legislation, but these were set aside by agreement of both political parties for no other reason than their probable influence on the 1952 elections.

Production of the major farm products has been very large during the past few years, as farmers planted as much acreage as possible under the free ride apparently afforded them by government loans at 90 percent of parity. Exports of wheat during the season just passed totaled only about 300 million bushels as compared with 487 million last season. Exports of corn are relatively unimportant. Exports of cotton during the 1952-53 season will total about 3 million bales versus 5.7 million last season. Rising production of farm products abroad and the shortage of dollar exchange have put a severe crimp in export demand for American agricultural products.

The carryover of wheat of 600 million bushels is near the record high of 630 million bushels and compares with 257 million a year ago. A sharp increase in the corn carryover is in store for September 30. The indicated July 31 cotton carryover of 5.4 million bales is almost double last year.

Congress now is faced with the unpleasant necessity of approving curbs on acreage and production for next year. In order to make reduction more palatable to wheat farmers, the minimum acreage under existing legislation has been raised from 55 million to 62 million acres for 1954 wheat crops. With average yields, production next year would about equal requirements and permit no reduction in the huge surplus. Farmers are expected to approve this cutback from the 79 million acres planted for the 1953 wheat crop.

Unfavorable weather and a short cotton crop may obviate the necessity of imposing curbs on 1954 acreage and production. Some cutback in corn production is necessary, a difficult task. But, no permanent solution of the surplus farm products problem is in sight.

The Business Analyst

HIGHLIGHTS

ONEY & CREDIT—The Treasury offering of close to \$6.0 llion in tax anticipation certificates yielding 2½% has been big success. Bids for \$8.7 billion worth were received the first ay and the books were closed forthwith. The heavy demand ad been a foregone conclusion in view of the Federal Reserve's evious action in lowering bank reserve requirements thus ving the lending institutions ample idle funds which were eking investment. It is expected that corporations will be ger to buy these certificates from the banks in order to invest nds accumulated for taxes.

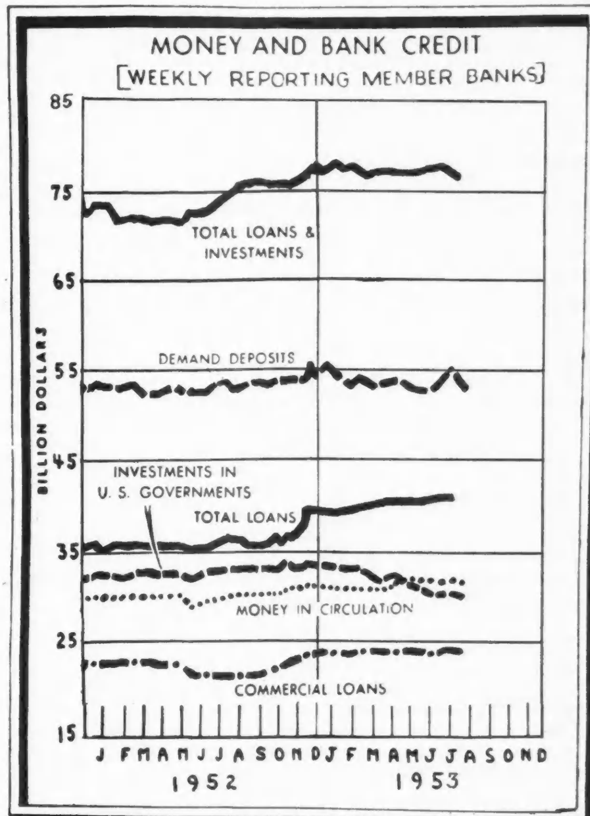
Government bonds have been firm in the two weeks end- g July 13 and the thirty-year 3¼s reached par at the end the period as against a price of 99⅝ on June 29 and the ar's low of 98-7/16 reached before the reserve require- ents were eased on June 24. The Victory 2½s have done en better, closing at 93⅛ on July 13, up ½ point since e end of June and 3¼ points above the year's low.

Corporate obligations are giving a better account of them- lves and new issues have been getting a more favorable ception. Thus the Aaa rated Commonwealth Edison offer \$40 million of first mortgage bonds were sold on July 8 an interest cost to the company of 3.67%, a mild im- rovement over the similarly rated New York Telephone ompany's \$35 million issue which came out two weeks rlier at a 3.77% rate.

Municipal bonds have rebounded from the levels of late ne and yields are a bit lower. Thus the Bond Buyer's yield dex of tax-exempts fell to 3.00% on July 9 from the four- en year high of 3.09% which had been reached on June . The big \$150 million Garden State Parkway issue of ew Jersey turnpike bonds was brought out on July 8 at a t interest cost of 2.9997% and was completely sold out in rt order, perking up market sentiment considerably.

Bank credit has shown some interesting variations of late, least that part of it advanced by the reporting member nks on which current data is available. Thus total loans d investments of these banks on May 27 stood at \$75.88 llion or \$2.03 billion above the corresponding date in 1952. July 1 of this year, loans and investments had dropped a t to \$75.53 billion while during the same period last year ey shot ahead rapidly. As a result at the beginning of ly, 1953 they were actually \$1.97 billion under the level a year earlier. However, this situation is bound to change w that reserve requirements have been cut, enabling mem- r banks to expand credit, so that we can confidently expect at in the near future total loans and investments will again topping those of a year ago. Undoubtedly this will be flected in a higher money supply but as long as the increase the latter does not exceed the expansion of output, then inflationary pressure need be created.

ADE—Department store sales have lapsed into the summer ldrums. Total dollar volume for the week ending July 4 1% ahead of a year ago, not a very good showing when recalled that many stores were closed two days for last r's Independence Day Holiday as against one day this r. For the four week period ending July 4, department es bettered year ago figures by 4%. The Philadelphia rict made the best showing with a 6% gain while the



Richmond area had the worst results falling 3% under last year.

INDUSTRY—Industry output is hitting the usual July lull as vacations make inroads into the number of workers on the job. After adjustment for such seasonal factors, output continues high with the MWS Index of Business Activity reaching 203.3% of the 1935-1939 average for the week ending July 4. This compares with a level of 201.5 two weeks earlier and one of 163.9 a year ago when output was in a slump as a result of the steel strike.

The National Association of Purchasing Agents reports that manufacturers experienced some further declines in order backlogs in June as shipments ran ahead of new orders, and are trying to restrict inventories as much as possible.

COMMODITIES—Average commodity prices advanced 0.3% in the week ending Tuesday, July 7, according to the index of the Bureau of Labor Statistics which closed at 109.7% of the 1947-1949 average. At this level it was slightly above the year's low of 109.2 and still 2.0% under prices of a year ago. In the latest week farm prices were strong, gaining 1.9%, led

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	June	4.4	4.1	3.9	1.55
Cumulative from mid-1940	June	509.9	504.5	457.1	13.8
FEDERAL GROSS DEBT—$b	July 8	266.3	266.2	263.0	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	July 8	52.8	53.5	51.7	26.1
Currency in Circulation	July 8	30.3	30.2	29.1	10.7
BANK DEBITS—(rb3)**					
New York City—$b	May	50.3	53.1	50.8	16.1
344 Other Centers—$b	May	91.9	96.3	86.8	29.0
PERSONAL INCOMES—$b (cd2)	Apr.	283.1	282.8	262.5	102
Salaries and Wages	Apr.	191	190	173	66
Proprietors' Incomes	Apr.	52	53	51	23
Interest and Dividends	Apr.	22	22	22	10
Transfer Payments	Apr.	14	14	12	3
(INCOME FROM AGRICULTURE)	Apr.	19	20	20	10
POPULATION—m (e) (cb)	May	159.3	159.1	156.6	133.8
Non-Institutional, Age 14 & Over	May	111.4	111.3	109.4	101.8
Civilian Labor Force	May	63.0	62.8	62.8	55.6
unemployed	May	1.3	1.6	1.6	3.8
Employed	May	61.7	61.2	61.2	51.8
In Agriculture	May	6.4	6.1	7.0	8.0
Non-Farm	May	55.3	55.2	54.2	43.2
At Work	May	60.0	59.1	59.0	43.8
Weekly Hours	May	42.1	42.0	42.6	42.0
Man-Hours Weekly—b	May	2.53	2.48	2.51	1.82
EMPLOYEES, Non-Farm—m (lb)	Apr.	48.8	48.6	47.4	37.5
Government	Apr.	6.6	6.6	6.6	4.8
Factory	Apr.	13.8	13.8	12.9	11.7
Weekly Hours	Apr.	40.8	41.1	39.8	40.4
Hourly Wage (cents)	Apr.	175.0	175.0	165.0	77.3
Weekly Wage ($)	Apr.	71.40	71.93	65.67	21.33
PRICES—Wholesale (lb2)	July 7	109.7	109.4	111.8	66.9
Retail (cd)	Apr.	207.9	208.2	209.7	116.2
COST OF LIVING (lb3)	May	114.0	113.7	113.0	65.9
Food	May	112.1	111.5	114.3	64.9
Clothing	May	104.7	104.6	105.8	59.5
Rent	May	123.0	122.1	117.4	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	May	14.4	14.4	13.9	4.7
Durable Goods	May	5.2	5.1	4.9	1.1
Non-Durable Goods	May	9.3	9.2	8.9	3.6
Dep't Store Sales (mrb)	May	0.88	0.81	0.82	0.34
Consumer Credit, End Mo. (rb2)	May	26.7	26.2	21.7	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total **	May	25.7	25.7	22.7	14.6
Durable Goods	May	12.8	12.6	11.0	7.1
Non-Durable Goods	May	12.9	13.1	11.8	7.5
Shipments—$b (cd)—Total**	May	26.3	26.8	23.2	8.3
Durable Goods	May	13.3	13.5	11.3	4.1
Non-Durable Goods	May	13.0	13.3	11.9	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	May	77.1	76.5	73.1	28.6
Manufacturers'	May	45.0	44.6	43.1	16.4
Wholesalers'	May	10.3	10.2	9.9	4.1
Retailers'	May	21.7	21.7	20.1	8.1
Dept. Store Stocks (mrb)	May	2.6	2.5	2.3	1.1
BUSINESS ACTIVITY—1—pc	July 4	202.3	202.1	163.9	141.8
(M. W. S.)—1—np	July 4	246.7	246.5	195.2	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 517)

by higher quotations for livestock and grains. Processed foods declined 0.2% while meats were unchanged at 90.1% of the 1947-1949 base. At this level they are a full 20% under prices prevailing a year ago.

* * *

Expenditures for **NEW CONSTRUCTION** totalled $3.2 billion in June, up 9% from May and 8% ahead of June, 1952, the Bureau of Labor Statistics has announced. This brought new construction spending for the first half-year to a record $16.0 billion, or 8% above the corresponding period of 1952. Although higher construction costs have played a part in the gain in dollar outlays, much of the increase over last year represented greater building activity. June spending for new residential building reached $1.1 billion, the highest level in 2½ years, while highway expenditures increased substantially to $335 million, partly as the result of efforts to overcome delays caused by adverse weather conditions this Spring. Commercial construction for the first six months reached $729 million, up 43% from the similar 1952 period. The jump was made possible by the relaxation of credit and material controls on this type of building last Fall.

* * *

Manufacturers' shipments of **PASSENGER TIRES** rose 1.5% in May to 7,711,90[illegible] casings from 7,599,383 the month before, the Rubber Manufacturers Association has reported. Tire production fell 2.3% in May to 7,655,098 units, somewhat below the 7,918,828 tires turned out in March, which is the all-time record. With shipments in May slightly ahead of production, inventories in the hands of manufacturers at the end of the month amounted to 13,655,727 tires, a 1% drop from April but moderately above the 13,263,000 tires on hand a year ago.

* * *

SALES OF THE GAS UTILITY INDUSTRY to ultimate consumers during May totalled 4,286 million therms, a gain of 16½% over sales of 3,679 million therms in the corresponding 1952 month, according to data compiled by the American Gas Association. For the twelve months ending May 31, 1953, gas sales came to 54,37[illegible] million therms, an 8.8% increase over the previous twelve month period. Natural gas now constitutes the bulk of all gas used with 4,017 million therms of natural

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	May	241	241	211	174
Mining	May	167	164	140	133
Durable Goods Mfr.	May	320	326	277	220
Non-Durable Goods Mfr.	May	201	198	181	151
CARLOADINGS—t—Total	July 4	670	818	447	833
Misc. Freight	July 4	364	388	258	379
Mdse. L. C. L.	July 4	66	67	57	156
Grain	July 4	58	60	60	43
ELEC. POWER Output (Kw.H.) m	July 4	7,970	8,446	6,478	3,267
SOFT COAL, Prod. (st) m	July 4	1.6	10.1	1.1	10.8
Cumulative from Jan. 1	July 4	224.3	222.7	242.4	44.6
Stocks, End Mo.	May	72.9	70.5	79.3	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	July 4	6.5	6.5	6.1	4.1
Gasoline Stocks	July 4	145	147	120	86
Fuel Oil Stocks	July 4	45	44	46	94
Heating Oil Stocks	July 4	86	83	68	55
LUMBER, Prod.—(bd. ft.) m	July 4	186	257	140	632
Stocks, End Mo. (bd. ft.) b	July 4	8.0	8.1	8.0	7.9
STEEL INGOT PROD. (st) m	June	9.4	10.0	1.6	94
Cumulative from Jan. 1	June	58.0	48.6	45.0	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	July 9	192	256	382	94
Cumulative from Jan. 1	July 9	8,420	8,228	7,388	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	July 4	339	207	205	165
Cigarettes, Domestic Sales—b	May	31	32	32	17
Do., Cigars—m	May	506	520	500	543
Do., Manufactured Tobacco (lbs.)m	May	18	19	18	28

PRESENT POSITION AND OUTLOOK

gas sold in May, a 17.6% increase over May, 1952.

* * *

New orders for **FABRICATED STRUCTURAL STEEL** amounted to 306,319 tons in May, the highest figure for bookings in the last twenty-five months, according to reports by the American Institute of Steel Consruction. Shipments during May came to 25,000 tons, a bit ahead of April's shipments of 262,722 tons and 9% above the corresponding 1952 month. The backlog of orders on hand on May 31 of this year totalled 2,178,918 tons of which 47% were scheduled for completion within the four months ending September 30. At the end of May, 1952 the industry had 2,263,443 tons of unfilled orders on the books.

* * *

Total sales at **FURNITURE STORES** in May were 8% above the preceding month's volume, reflecting moderate gains in both cash and credit sales, the Federal Reserve Board has found. Compared with a year ago, however, all types of sales were lower with cash sales down 5%, installment sales 11% and charge-account sales by 6%. Installment accounts receivable at furniture stores were practically unchanged during May, but at the end of the month were 16% higher than on the correspondin date a year earlier.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted Index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1947-49—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Feedral Reserve Board, total consumer credit. rb3—Federal Reserve Bank of N. Y. 1941 data is for 274 centers. st—Short tons. t—Thousands. *1941; November or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

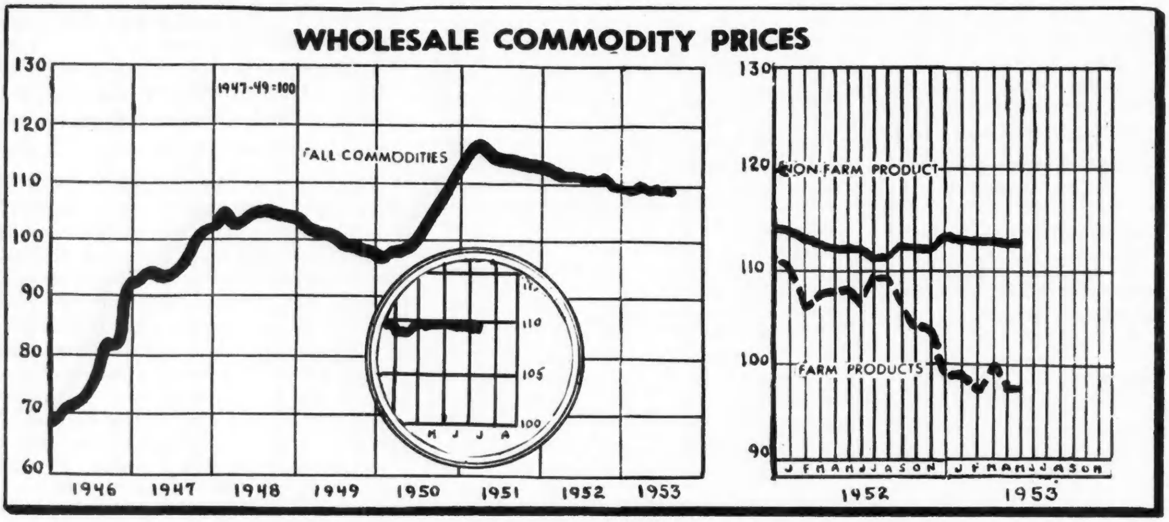
No. of Issues (1925 Cl.—100)	1953 Range High	1953 Range Low	1953 July 3	1953 July 10
300 COMBINED AVERAGE	215.5	192.6	195.9	195.4
4 Agricultural Implements	263.3	214.7	219.8	222.4
10 Aircraft ('27 Cl.—100)	415.6	337.4	348.1	337.4Z
7 Air Lines ('34 Cl.—100)	693.9	577.2	596.6	590.1
7 Amusement	95.5	81.6	85.1	85.9
10 Automobile Accessories	289.4	250.3	252.9	250.3
10 Automobiles	49.4	42.8	43.7	42.8Z
3 Baking ('26 Cl.—100)	28.0	23.8	26.6	26.6
3 Business Machines	377.4	326.1	329.8	333.4
2 Bus Lines ('26 Cl.—100)	183.8	170.2	178.7	183.8A
6 Chemicals	396.9	345.8	353.6	353.6
3 Coal Mining	15.4	11.2	11.5	11.9
4 Communications	69.3	63.0	68.0	68.0
9 Construction	72.3	63.4	64.1	63.4Z
7 Containers	519.4	461.7	480.9	480.9
9 Copper & Brass	175.4	144.1	145.6	145.6
2 Dairy Products	97.7	92.3	95.0	95.9
5 Department Stores	63.2	57.7	58.9	58.9
5 Drugs & Toilet Articles	235.2	219.5	226.2	226.2
2 Finance Companies	410.0	341.8	358.1	362.1
7 Food Brands	200.4	190.8	192.7	194.6
2 Food Stores	121.2	113.0	120.1	121.2A
3 Furnishings	79.2	69.4	69.4	69.4
4 Gold Mining	760.0	614.6	614.6	634.5

(Nov. 14, 1936, Cl.—100)	High	Low	1953 July 3	1953 July 10
100 HIGH PRICED STOCKS	133.5	120.8	123.5	123.1
100 LOW PRICED STOCKS	260.6	228.7	232.3	232.1
4 Investment Trusts	112.7	97.5	100.8	99.7
3 Liquor '27 Cl.—100)	967.8	866.4	884.8	884.8
11 Machinery	240.6	208.5	210.8	210.8
3 Mail Order	128.6	113.0	114.2	113.0Z
3 Meat Packing	101.7	88.4	91.1	90.2
10 Metals, Miscellaneous	284.5	232.3	234.9	232.3
4 Paper	474.8	408.2	434.8	439.3
24 Petroleum	463.4	413.2	422.4	417.8
22 Public Utilities	194.4	173.8	179.4	183.2
8 Radio & TV ('27 Cl.—100)	36.9	30.8	31.1	31.1
8 Railroad Equipment	64.1	58.7	58.7	58.7
20 Railroads	53.2	57.0	50.1	49.6
3 Realty	51.5	47.6	49.1	48.6
3 Shipbuilding	269.9	228.7	233.3	237.8
3 Soft Drinks	407.5	342.4	386.9	383.5
11 Steel & Iron	151.4	135.7	138.5	137.1
3 Sugar	59.8	52.5	52.5	53.2
2 Sulphur	625.9	543.3	561.0	561.0
5 Textiles	162.2	122.9	124.6	122.9Z
3 Tires & Rubber	89.7	75.4	77.1	77.9
5 Tobacco	101.6	90.8	99.8	99.8
2 Variety Stores	319.5	294.9	294.9	298.0
16 Unclassified ('49 Cl.—100)	125.7	108.9	108.9	108.9

A—New High for 1953. Z—New Low for 1953.

Trend of Commodities

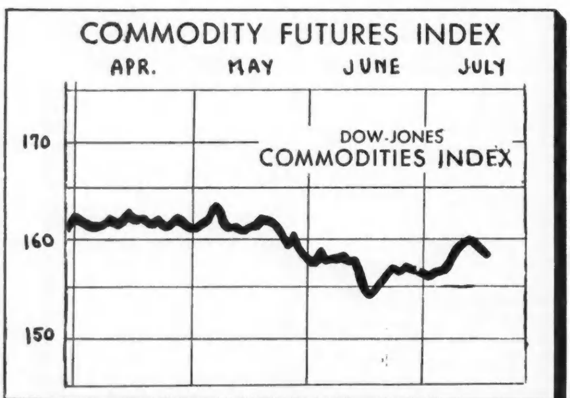
Commodity futures favored the up side in the two weeks ending July 13, although grains displayed some weakness in the face of forecasts of large crops. The Dow-Jones Futures Index gained 1.95 points during the period to close at 158.51 where it was 3.89 points above the year's low. September wheat closed at 193½ on July 13, down 2 cents from its price a fortnight earlier. Some buying was evident in the wheat market early this month as a dearth of country offerings was interpreted to mean that farmers had been finding adequate storage facilities for the grain. The buying was short lived however, with demand hampered by expectation of a bearish crop report. The Department of Agriculture released its forecast on July 10, predicting a 1,174,708,000 bushel crop which was 42 million bushels higher than its estimate of a month earlier, but the market had apparently discounted the news as wheat held steady after the figures became known. Corn prices suffered from the Government's forecast, the first for the new crop, predicting a 3,336,551,000 bushel harvest, which, if realized would be the second highest on record. September corn suzsequently lost 1½ cents to close at 146¾ on July 13, where it was 2¼ cents under its price of two weeks earlier. Cotton prices firmed slightly in the two weeks ending July 13 and the October option gained 12 points during the period to close at 33.93 cents. Sentiment was bolstered by the Crop Reporting Board's estimate that acreage planted to cotton this year would decline 8.6% from 1952 to 24,618,000 acres. At average yields this would mean a crop of 13,600,000 bales as compared with 15,136,000 bales realized last year.

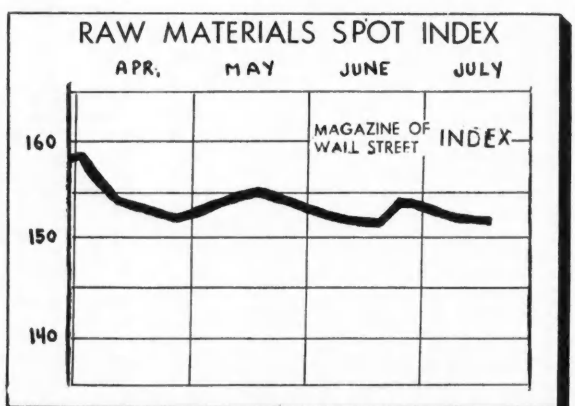


U. S. DEPARTMENT OF LABOR INDEX OF 22 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

	Date July 13	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	87.4	86.8	87.6	96.3	53.0
9 Foodstuffs	90.0	87.0	87.9	94.1	55.1
3 Raw Industrial	85.5	86.6	87.2	97.7	58.3

	Date July 13	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
4 Fats & Oils	56.0	55.4	59.9	63.8	55.6
5 Metals	96.7	98.6	101.7	115.0	54.6
4 Textiles	90.2	90.2	87.2	94.6	56.3





Average 1924-26 equals 100

	1952-'53	1951	1950	1945	1941	1939	1938	1937
High	181.2	214.5	204.7	95.8	74.3	78.3	65.8	93.8
Low	154.6	174.8	134.2	83.6	58.7	61.6	57.5	64.7

14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1952-'53	1951	1950	1945	1941	1939	1938	1937
High	192.5	215.4	202.8	111.7	88.9	67.9	57.7	86.6
Low	152.4	176.4	140.8	98.6	58.2	48.9	47.3	54.6

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. **Give all necessary facts, but be brief.**
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. **No inquiry will be answered which is mailed in our postpaid reply envelope.**
5. **Special rates upon request for those requiring additional service.**

Air Reduction

"Please furnish recent earning data of Air Reduction Company and also prospects over coming months."

A. I., Sandusky, Ohio

Consolidated earnings of Air Reduction Company Inc. for the three months to March 31 including wholly-owned subsidiaries showed net sales were $32,965,984, net profit $1,842,916, equal to 57 cents per common share and this compares with net sales for the first quarter of 1952 of $31,156,-933, net profit $1,962,153, equal to 61 cents per common share. Earnings in the first quarter of 1953 were based on 2,737,551 average number of shares outstanding.

For the fiscal year ended December 31, 1952 sales reached a new high of $124,625,163. This represents an increase of 5.5% over the previous high of $118,131,075 aciheved in 1951.

Earnings from operations in 1952, after Federal income and excess profit taxes and foreign income taxes amounted to $7,289,694 as compared with $7,337,549 in 1951.

After payment or provision for payment of dividends on the preferred stock, earnings for 1952 were $2.25 per share of common stock as compared with earnings from operations of $2.64 per share of common stock in 1951. After giving effect to extraordinary charges and credits, net income for 1951 applicable to common stock amounted to $2.69 per share.

The decline in earnings was attributed principally to the 54 day steel strike in 1952, costs incurred in connection with new facilities and higher labor, material and transportations costs. It should be noted also, that $875,000 of accelerated amortization in excess of regular depreciation was charged against 1952 earnings. Record sales in 1952 were made without material assistance from the company's new calcium carbide and acetylene generating plant in Calvert City, Kentucky or the new liquid oxygen plant in Butler, Pennsylvania. Both plants are expected to make substantial contributions to sales in 1953.

Regular quarterly dividends of 35 cents per share, aggregating $1.40 were paid on the common stock during 1952 and the same regular quarterly rate of 35 cents per share has been paid in the current year.

Reo Motors

"Thank you for your recent report in which you appraised three of my security holdings. I have been a subscriber of your magazine for some years and have a very high regard for its recommendations and also for the advice I have received on securities I own. Please present recent sales volume, earnings and dividends of Reo Motors."

P. A., Colorado Springs, Colo.

Reo Motors Inc., manufacturer of trucks, engines, power lawn mowers, wheel goods and playground equipment reported for the three months ended March 31, 1953 products and service sold amounting to $40,294,061 and net profit was $802,130, equal to $1.49 per common share on 539,253 shares outstanding. This compares with first quarter 1952 sales of $37,206,396, net profit of $690,-080, equal to $1.40 per common share based on 492,355 shares outstanding at the time.

For the fiscal year ended December 31, 1952 consolidated net earnings were $3,266,000, after income and excess profit taxes of $8,025,-000. The net earnings were equal to $6.63 per share on the 492,355 common shares outstanding at the end of the year.

These figures compare with consolidated net earnings of $2,422,-000 for the year ended December 31, 1951, which was equal to $4.92 per share on the same number of shares, after taxes of $4,655,000. Consolidated sales for fiscal 1952 were $156,469,000, an all-time high for the company and 38% over the $112,756,000 total for 1951.

In addition to cash dividends of $2.00 per share, a 10% stock dividend was declared during 1952, payable in January, 1953. Dividends thus far in 1953 have been $1.00 per share.

Total current assets as of March 31, 1953 were $44,235,202, and current liabilities were $30,740,-584, leaving net working capital of $13,494,618.

Although the company's overall civilian business showed an increase, a substantial part of the larger volume in 1952 was represented by military business. While the company expects to lose part of its military engine business later in the 1953 year, military trucks and parts business is expected to continue at the 1952 rate. The company is seeking every effort to further diversify and expand its civilian business. In this connection, the company had organized Reo Truck Leasing Inc., as a wholly-owned subsidiary, to provide an additional market for Reo vehicles, assist in successful operation of branches and provide a new source of income for the company.

Bank Earnings—For the First Half

(*Continued from page* 503)

in the government security portfolios of banks occurred in Treasury bills, which have been taken over, as stated above, by the Reserve Banks through their open-market purchases. Substantial bank sales were also made, of Treasury bonds, notes, and certificates. Holdings of other securities (principally municipal and corporate bonds) were up slightly.

Bank earnings for the half-year 1953 were in most cases as good or slightly better than those for the first half of 1952 or, on an annual basis, the rate for the full year 1952. Gross income from loans was swelled by both the expansion in loans outstanding and the rise in interest rates. Holdings of government securities were lower, but current yields were higher.

Profits realized from the sale of government securities, however, which usually are reported separately from the regular operating earnings, and in former years have been a very sizeable item, have practically disappeared and been replaced by realized losses, reflecting the sharp slump in quotations on all types of bonds. Some banks have switched their holdings of government issues in order to establish tax losses, which on their books have been charged against general or contingency reserves heretofore built up from bond profits and loan recoveries. Inasmuch as the accounting practices of banks are not uniform in the treatment of such transactions and the corresponding federal taxes, their indicated or reported earnings figures are not strictly comparable.

Despite the marked changes that have taken place in the money and banking situation this year, there appears to have been no change in the generally favorable opinion of investment analysts toward bank stocks. This is not to imply the banks will face no further changes, but rather that they will continue flexible enough to meet those changes successfully. In other words, the well-managed bank, like the well-run chain grocery organization, should be able to keep its ever-changing items of income and expense in reasonable balance.

Even though general business activity should taper off somewhat in the second half of this year, there is no reason to doubt that the total demand for credit will continue heavy—including the usual seasonal demands of industry and of crop moving, plus instalment loans, home mortgages, the federal deficit, state and municipal financing. A number of surveys this year have confirmed the almost unsatiable future demand for credit to finance the huge and vigorously growing U. S. population and record national income.

Finally, the business of a large bank is so widely diversified that current changes, favorable or unfavorable, have tended to offset one another. Thus a decline in some types of loans has been more than offset by increases in others. A decline in the government portfolio is offset by higher average yields. An increase in rates of interest paid on savings deposits has been offset by increases generally in the rates of interest collected. Losses realized on government securities sold have to a large extent been offset by lower income taxes or have been charged to hidden reserves. Steadily climbing operating expenses, principally for wages and salaries, have been offset, up to the present time at least, by a continued growth in operating income.

Production Trends in Individual Industries

(*Continued from page* 493)

slump which seemed about to start last year has given way to a high degree of activity as a result of the general upswing in manufacturing and other industrial activity.

The outstanding fact about chemicals is the rapid pace of new product development. The industry continues its expensive research program. About $300 millions annually are being devoted to this purpose.

Undoubtedly, prices for some of the newer products now in more abundant supply will tend downward. There is also some uneasiness over the possibility of overcapacity in many lines. These are among the principal factors influencing the industry at the present time. To this must be added that many of the smaller concerns are complaining that it is becoming more difficult for them to compete in the field of organic chemicals, owing to increasing foreign competition.

From the profit standpoint, the industry generally has maintained a satisfactory level, though the tax burden is excessive for many companies. The outlook for the balance of the year, looking ahead to 1954, depends on the general level of industrial and business activity. Should this recede, as seems likely, sales and, therefore, profits for chemicals could be expected to decline moderately.

Electrical Equipment: This important industry will be covered in Part III of the Mid-year Dividend Forecasts, appearing in the next issue of the Magazine.

Miscellaneous Industries: Space does not permit a thorough review of the production situation in other leading industries. However, in brief, we present a summary as follows:

Aside from those reviewed above, industries which have made consistent gains in production during the last half of 1952 and the first half of 1953, though at different rates of increase are: lumber, machinery, paper, and textiles. Manufactured food is at approximately the same level of production as a year ago. Bituminous coal has declined.

Estate Planning for Investors

(*Continued from page* 495)

of all sizes, investors may take advantage of definite steps to minimize estate expenses and death taxes. To plan with this goal in mind may require expert advice applied to the peculiar problems of each individual. The application of any of the following suggestions, depends upon an investor's financial situation, the size of his estate, the objects of his bounty and the character of his assets.

First, determine the excess of assets over liabilities, or your net worth. Second, examine your estate assets for liquidity to meet expected debts and expenses. Third, if your estate is not sufficiently liquid, consider the possibility of insurance payable to your estate or creditors. Fourth, such administration expenses as court charges, legal fees and transfer taxes at death can be eliminated by any of the following types of transfers: (1) place bank accounts in joint names, (2) ma

lifetime gifts of securities, (3) create joint tenancy or tenancy by the entirety in real estate, (4) transfer property into revocable or irrevocable trusts and (5) give the ownership as well as benefits of insurance policies to another. Fifth, for exclusion of property from both administration charges and death taxes, an investor should make irrevocable transfers during lifetime which are not in contemplation of death.

However, lifetime gifts may be subject to gift taxes unless the transfers are properly planned. Each donor is allowed annual exclusions of $3,000 as to each recipient plus an additional lifetime exemption of $30,000. Therefore, an investor could give $3,000 to any number of people each year and an additional $30,000 could be distributed among the same recipients without a gift tax. These figures can be doubled if the gifts are made to your spouse or your spouse joins in the gift to third parties. Even if a gift tax is imposed it would be no more than three-quarters of the estate tax on the same property transferred at death. These gifts also save income taxes because they remove the income from the property transferred from high income tax brackets in which it fell prior to the gift.

In Table C appears a comparison of the tax imposed on property subject to gift or estate taxes. A person may give $60,000 away tax-free provided his wife consents to one-half of the gifts being treated as hers. Since, there is a $60,000 exemption before estate taxes, the comparison is on an equal basis.

A married investor may take advantage of a special estate tax benefit by leaving up to one-half of his net estate outright to his wife. Such an amount bequeathed outright or in trust with a right in the wife by power of appointment to determine final disposition is deductible from the taxable estate. The benefit may be demonstrated by plan "A" for all property to be left in trust during the spouse's life and upon her death to be distributed to their children as they reach 21 years and plan "B" for one-half of the estate to go to the spouse outright and the balance to be left as provided in plan "A." This is shown in Table D.

Insurance can be used to provide liquidity to meet debts and death taxes, but insurance need

(*Please turn to page* 524)

Estate Planning for Investors

(*Continued from page* 523)

not be included in the investor's estate. His wife may be able to secure insurance on his life payable to her upon his death. The proceeds would not be included in his estate, but could be loaned to it if cash were needed. An insurance trust can be created to facilitate the handling of these funds. Insurance policies may also be secured by a company on the life of an officer-stockholder so that it can have cash to redeem his stock upon death.

A stockholders' agreement among holders of closely held stock may require insurance to provide funds to purchase a stockholder's interest. The agreement may set the value of the stock at an agreed value for purchase as well as estate valuation. A binding agreement as to the selling price should be recognized as market value in valuing an investor's estate, if reasonable and restrictive from offers by outsiders.

Estate Planning Should Be On A Life-time Basis

Investors must consider the problem of estate planning as distinctive for each individual. Some of the suggested methods of reducing death taxes and administrative expenses may be inapplicable to every investor. The ultimate recipients must be considered as well as these various devices to increase the value of the estate to them. Shrinkage from excessive taxes may be of greater consequence than the control which may be surrendered over part of your property by transfers during your lifetime. Investors will probably have an above-average liquidity, yet even their estates may require additional cash. Conversion of securities to cash may mean taxable gains, a loss of investment position and alteration of testamentary wishes. The result is that investors should conduct their estate planning throughout life, not merely when their health is endangered. Their object is to minimize shrinkage from transfer costs, to provide a convenient means of meeting any estate obligations and to transfer the estate in such manner as consider the best interests of the beneficiaries.

Contrasts in the Beverages

(*Continued from page* 511)

cents a share from 33 cents in the first half of the preceding year. Outstanding in the first half of the current year was the ability of the company to hold operating and other costs close to the level of the corresponding half year and thus increase net income, before taxes by more than a half million dollars. The gain, however, was offset by Federal and foreign taxes taking $300,00 more than a year ago. But, at that, Canada Dry was able to carry $216,000 of the improved operating income to net, with the result that net income for the first six months of this year rose to $950,439, from $734,588 for the first half of its 1951-52 fiscal year. While continuing to operate a number of bottling plants, the Company is licensing a greater number of bottlers both here and in Canada to handle its products with the result that it is getting deep penetration into many smaller markets more economically than it could otherwise. Because of diversification of products, including Canada Dry ginger ale, "Spur" a cola drink, Canada Dry sparkling water or club soda, and "Quinac", the "gin and tonic" mixer, Canada Dry appears to be in an advantageous position to exploit markets and maintain a fairly consistent sales uptrend.

In addition to its widespread activities in the carbonated beverage field, Canada Dry has exclusive rights in the U. S., to several alcoholic beverages, including "Johnnie Walker" Scotch whiskies. Reduction of excise taxes would be of substantial benefit to this segment of Canada Dry's activity.

The company has growth potentials, but these are likely to develop slowly and require considerable patience on the part of shareowners. The common stock, while speculative, is worthy of retention.

Pepsi-Cola, endeavoring to capture some of that market which had been pre-empted for so long a time by its giant competitor—Coca Cola—has, in the last three years, under its present management, achieved good progress in expanding sales and earning power. Although the company does not report cash sales, 1952 volume was stated to be at a record high, amounting to a gain of 17.4% over 1951, about twice that of the industry as a whole. Unlike other companies in the soft drink industry, however, Pepsi-Cola does not divulge its total net sales. Operations in 1952, produced net income of $3.8 million. This was $1.2 million more than in 1951, and three times the amount earned in 1950. Last year's net was equal to 67.5 cents a share on the capital stock, as compared with 45.75 cents in 1951 and 22 cents in the year before that.

Aggressive promotion and merchandising campaigns are opening up new retail outlets. This is reflected by the continuing uptrend in earnings, net for the first quarter of 1953 rising to a little more than 10 cents a share, in contrast to 3 cents a share in the first quarter of 1952. In May of this year, a wholly-owned subsidiary began bottling and distributing of quinine water and club soda under a cross-licensing agreement with Schweppes, Ltd., of London. It is expected that this will be an important addition to the company's operations.

The increasing popularity of soft drinks, made evident by the steady increase in consumption year by year, indicates growth possibilities for Pepsi-Cola. The stock, however, must be regarded as speculative. The need for capital to carry out expansion programs is likely to hold dividends to more or less of a token payment for some time.

Moreover, and this applies to practically all the soft drink manufacturers, while greater demand and economies in operation are likely to be reflected in modest to fair net income gains, higher costs continue to be a drag. The fight for consumer preference is apt to intensify, requiring greater outlays for advertising and merchandising. At the same time, labor costs are likely to continue at a high level and raw material prices, especially sugar are not apt to be revised downward to any appreciable extent. The industry may experience sales gains and show some improvement in net earnings on larger volume, but it is not going to show any sharp upturn in net in the immediate future, at least.

2. The Liquor Industry

The liquor industry is begin-

ning to see things in a brighter light. Domestic consumption of legal tax-paid distilled spirits in the first three months of this year rose to 42.7 million gallons. This is a gain of 9.8% over 1952 first quarter consumption and is a reversal of the downward trend that set in following the hike in excise tax from $9 to $10.50 a gallon in November, 1951. Consumption last year dropped 5.2% or about 10 million gallons, under 1951 consumption. With employment and personal income continuing at current high levels through the balance of 1953, sales should continue to expand.

Profit margins also could improve as operating costs are lowered, reflecting the substantial cut-back in whiskey production. In the first 9 months of the fiscal year ended June 30, last, production of all types of distilled spirits was reduced 47% from the previous 9 months volume. At the end of March, this year, total stocks of whiskey in bonded warehouses had shrunk by about 36 million gallons from the amount in storage on March 31, 1952. Restoring the excise tax to $9 a gallon would be of considerable help to the industry. Agitation to get an early downward revision of the tax rate continues, but the chances for success are slim, but the rate should revert to $9 with the expiration of the present law on April 1, 1954.

Coming up for Congressional consideration is a bill, already cleared by the House Rules Committee, to extend from 8 to 12 years the length of time distilled spirits may be kept in bonded warehouses before Federal liquor taxes become due. If enacted into law, this bill would be of particular benefit to distillers with large amounts of whiskey in bond. There was hope that following favorable House action, the Senate would go along in time to permit deferment of taxes due this year on 1945 distilled spirits in bond. The upper Chamber, however, "pigeon-holed" the measure. Ultimate passage of the bill should be a favorable development for Schenley, the second largest distilling company as measured by liquor sales volume, and understood to have the largest inventories of aged liquor. There is no indication, however, that profits for the year ending August 31, next, are going to be anywhere near the $2.76 a share that it

(*Please turn to page* 526)

Contrasts in the Beverages

(*Continued from page* 525)

showed for the common stock in the 1951-52 fiscal period. For the 9 months to May 31, of this year, net earnings of $6.1 million, or $1.41 a share were off by $3 million from the like period of a year earlier when net equaled $2.10 a share. For the third quarter ended May 31, 1953, the best the company could show was 26 cents a share, although this was an improvement over the 17 cents a share realized for the three months to May 31, 1952. Schenley continues to expand as a distiller, having acquired three additional distilleries in the early part of 1953, and is further developing its pharmaceutical lines, including penicillin, streptomycin and other medicinal products.

Although outlook promises improved earnings from liquor sales, prospects are that net for the current fiscal year will fall short of covering the present $2.00 a share annual dividend rate. Consequently, some uncertainty arises as to continuation of payments as high as 50 cents quarterly, but considering the strong cash position payments at this rate may be maintained for a while. The speculative possibilities underlying the stock make it worthy of retention as a long-range holding.

Despite the fact that National Distillers earned but 26 cents a share in the first quarter of the year, against 38 cents in the same period of 1952, it is expected that net for the full year will show an improvement over the $1.13 a share realized for the full 12 months of 1952. This is based on National's strong position with its long line of straight and bonded whiskeys sales of which should benefit from improving demand, and the upturn in its chemical di vision, the latter being accompanied by a somewhat better margin in gross profit.

National continues to expand in the chemical field. It plans to erect a $7 million plant which will have an annual capacity of 50,000 tons of anhydrous ammonia. Among its other chemical interests, it owns 60% of National Petro-Chemicals Corp., which is expected to be in operation shortly and when in full production is expected to have a daily output of 450,000 gallons of propane, butane, isobutane and natural gasoline, to be sold to a large petroleum company under long-term contract.

National's entry into the chemical field has necessitated the creation of substantial funded debt, amounting to $116.6 million at the end of last year, in addition to $49.2 million of $4.25 cumulative stock, brought out in 1951. Development of the chemical business will probably be gradual and it is likely to take several years before any worth-while earnings from this activity can be realized. The current 25 cents a share dividend, however, should be maintained but present owners of the common stock who elect to hold on to their shares must be ready and willing to exercise considerable patience.

Government Tries to Strike Balance Between Inflation and Deflation

(*Continued from page* 490)

be large. At the National Capitol, which admittedly has been crowded as a result of so many activities, and where the average individual income is among the highest in the country, rent increases have been slight or absent even though allowed. An importan aspect of the rent situation is that long delayed repairs and improvements to rental property will be undertaken. Many landlords, under rent controls, have been unable to maintain properties as the controlled rents have yielded no income, in many cases, after taxes.

Food prices hold remarkably steady. The Bureau of Labor Statistics reported no change between June 15 and June 29 save for trifling ups and downs which cancelled off. Meats, except pork, fish, poultry and fresh vegetables all declined; pork and eggs rose but all the changes were slight.

A study based on figures drawn from many sources – the Bureau of the Census, the Federal Reserve Board, the many statistical agencies such as the Bureau of Agricultural Economics – makes it possible to construct a balance sheet for the American individual. With his savings, his insurance, his pensions and his multifarious stake in the country his assets, many of them liquid, are *more than three times his liabilities* even including his installment and mortgage debt!

With this broad cushion, with a continuing demand for goods not only here but all over the world, there is sound reason to believe that for some time to come the pressures of inflation and deflation will remain in substantial balance. The deflationary movement probably will prevail over the longer pull but so gradually that it could better be described as a settling into a position of greater economic comfort.

Five High-Yield Stocks—That Meet Six Important Investment Tests

(*Continued from page* 513)

$302.3 million, out of which it has paid cash dividends regularly in each year, retaining $150.1 million, or 49.6% for use in the business. In the last four years $134 million has gone into additions to land, buildings and equipment, bringing the total of such expenditures in the last 7 years, 1946 through 1952, to $332 million. Net property account has grown from $107 million to $303 million. The policy of the company has been to diversify activities. Long a leading manufacturer of agricultural equipment, it has developed important divisions producing motor trucks, refrigeration equipment, steel, pig iron and coke by-products and late in 1952 acquired the Frank G. Hough Co., an established builder of earth-moving, excavating and material-handling equipment.

Sinclair Oil, under Test No. 1 shows an excess of book value over current market price of 42.8%, or 7.2% under the minimum 50% requirement. The issue also falls down in meeting Test No. 2, requiring the common stock to represent one-third or total capitalization. Sinclair's common stock amounts to 24.0% of the total. On the other hand, it shows up well under Test No. 3. Its five-year average annual earnings per share exceeded by approximately 160% average annual dividend during those years. It had the highest percentage of retained earnings of any of the five companies under analysis. I tput back into its business 63.1% of all net income in the five years through 1952. Its ratio of current assets to current liabilities of 2.0-to-one met the requirements of Test No. 6.

Sinclair Oil in the five years through 1952, retained out of earnings of $364 million, $230 mil-

lion, or 69.4% of the total, which went back into its business. Under an accelerated expansion program, the company substantially increased crude oil production, added to facilities and materially expanded its products pipe lines, thus providing lower cost transportation to the most populous areas that can be economically served by its various refineries, the capacity of which now stand at approximately 390,000 barrels a day. This is an increase of 39% over the capacity of 1946. Capital expenditures in 1952 alone amounted to about $180 million, bringing the total for the six years through 1952 to approximately $658 million. Sinclair expects to spend another $180 million in the current year, further increasing crude production and reserves, cutting transportation costs through new or more efficient pipe lines and tanker facilities, increasing refinery efficiency and expanding market operations. The company early in 1953, issued $101.7 million of 3½ convertible debentures, $40 million of which was to be used to retire short-term loans incurred for capital expenditures previously made, the balance to go toward defraying part of the cost of the continuing heavy expansion program, involving capital expenditures of about $106 million annually in 1954 and subsequent years.

Will Sugar Depression Continue?

(*Continued from page* 509)

matching 1952 output, forcing those countries to look to world markets for supplies. Whether the sugar mills operating in the dollar area would benefit is a question. It would be difficult for Cuba or Puerto Rico, for instance, to sell to countries that are short of dollars, especially in competition with producers situated in soft-money areas. Then, too, lower yields in some of the European countries are offset to a considerable extent by gains in others, particularly some of the South American sugar countries, as well as South Africa, Australia and Hawaii, the latter appearing to be heading for new records in production.

The situation in Puerto Rico hasn't changed much from a year ago. Although it cut its acreage under the 1951-52 figure, sugar mills there are still plagued with a surplus amounting to about 250,000 tons. Through Governor Marin, the industry is asking for a greater share in the distribution of U. S. sugar deficits and that it be permitted to dispose of surplus sugar by bartering with other countries, and that the U. S., within its program of aid to foreign countries, purchase the greater part of Puerto Rico's sugar surplus for those countries in need of sugar.

The plight of Puerto Rico parallels that of Cuba and the rest of the sugar cane grinders. It highlights the fact that on a world basis production continues to outrun consumption. At the 44-nation International Sugar conference which convened in London on last July 13, delegates agreed that there is grave danger of a world sugar glut unless consumption can be stepped-up. Delegates from Cuba and the Dominican Republic laid emphasis on the danger threatening their national economies unless the conference reached an agreement on (1) assuring supplies to importing countries and markets for exporting countries at stable prices, and (2) maintaining the purchasing power in world markets of sugar-producing countries by providing adequate returns to producers. These aims will be incorporated in a draft agreement, containing among other items a provision for each sugar importing country to keep its own production down to the amount it produced in a basic year, plus a to be decided upon percentage to allow for increased consumption. The draft agreement is also expected to provide for the imposition of export quotas for sugar producing countries and limiting production for domestic consumption as well as the amount of carryover. All this constitutes a big order. The conference is expected to continue over the next six weeks, and little or much may come of it.

That it will produce some good is without question and over the long range prove of benefit to the industry as a whole. In the meantime, however, it would be too much to expect that earnings of the raw sugar producers will improve to any material extent over the showings expected for the current fiscal year.

Cuban Atlantic Sugar, for example, upon passing its dividend last June, stated "that crop restriction, the low price in the world market and the Cuban government's freezing of 1953 salaries and wages at only slightly below the postwar peak, indicate that this year the profits of Cuban raw sugar mills will be greatly reduced, or even eliminated." Failure of the company, one of the largest Cuban producers, to continue dividend payments can be interpreted as the forerunner of similar action by not only other Cuban sugar growers but some of

(*Please turn to page* 528)

Will Sugar Depression Continue?

(*Continued from page* 527)

the Puerto Rican mills as well. This is partially borne out by *Punta Alegre Sugar* announcing suspension of dividend payments for the balance of the current fiscal year. In announcing this decision, the company stated that earnings for the 1953 fiscal 12 months ended Sept. 30, next, would not materially exceed $1.00 a share, which compares with $2.34 a share earned in the 1951-52 period. West Indies Sugar might prove the exception to the trend. Notwithstanding earnings in last year of $5.44 a share, the company held dividend disbursements to $1.25 a share annually. While earnings for the current year will be under those for the year before, they undoubtedly will be sufficient to cover dividend needs by an ample margin.

The domestic beet sugar producers closed their fiscal years only last February or last March. The three leaders, *American Crystal Sugar, Great Western,* and *Holly,* all showed moderate dips in earnings from the previous year, largely because of higher costs and somewhat lower sugar beet crops due to farmers planting more profitable crops. This latter situation, however, has changed during the current year and indications are that the domestic beet sugar industry may be able to produce its full quota allotted to it under the sugar control law. Prices of refined beet sugar have held up well in the face of some minor competitive price cutting. The 1954 outlook is encouraging and current dividends are likely to remain unchanged.

The two principal domestic cane sugar refiners continue to operate on a narrow margin of profit, *American Sugar* reporting 1952 net income being equivalent to less than one-eighth of a cent per pound. *National Sugar's* net probably ran close to that figure. This small margin, however, is offset by volume, enabling American in 1952 to earn its $4.00 annual dividend more than two and one-half times, and National to cover its $2.00 a share annual dividend by more than 50 per cent excess. With every indication of sustained volume during 1953, and little change in retail prices, both companies should show ample earnings for dividend requirements based on current rates.

Upswing In Foods and Dairies

(*Continued from page* 507)

panies are more vulnerable to changing weather conditions than are the concerns dealing primarily with packaged foods. Supplies and prices are dependent in large measure on conditions favorable to abundant crops. Sometimes, crops can be too large and supplies of fruit or vegetables may become excessive, but growers have found ways of meeting such emergencies by failing to pick full crops. The absence of excessive inventories and maintainance of a strong consumer demand contributed to satisfactory results last year. Conditions at approach of the harvesting season appeared generally reassuring for canners.

Millers and corn refiners are experiencing benefits from lower costs of raw materials. Consumption of flour has been pursuing a consistent downtrend for some time, however, and the outlook for baked goods is less promising than for some other segments of the food industry. Bread sales gradually are declining. Consumption of pastry has been comparatively well maintained, but a business recession probably would curtail demand in this category. Some progress is being made in development of new cake and pastry mixes in an effort to widen profits on flour and other ingredients. A compensating factor is the strong growth in population which promises to cushion any downtrend in the use of flour.

In a discussion of this sort, brief comments on individual companies representing different types of food processing may be helpful in understanding the problems encountered as well as the potentials for growth and earnings progress. Detailed statistical information supplementing the subjoined observations may be found in the accompanying tabulations. Thumbnail remarks on earnings and dividend factors are presented for individual companies.

National Dairy Products, with operations extending to all sections of the country, has gained a dominant position in dairy products chiefly through consistent emphasis on items other than fluid milk affording more satisfactory profit margins. Acquisition of the Kraft Cheese concern gave impetus to this diversification. Sales this year are expected to soar to a new peak approaching $1,200 million and net profit may rise moderately to about $4.50 a share. The time may be approaching when management may feel warranted in distributing a slightly higher dividend than the current $3 rate.

Borden Co., second largest factor in dairy products, has turned aggressively in recent years to development of food products that would enlarge volume and afford diversification. Success has marked the introduction of instant coffee and Starlac dry milk. Emphasis is continuing to find means of minimizing dependence on fluid milk. Increased consumer demand and moderately higher prices may boost sales this year to more than $775 million for a new record. Earnings seem likely to surpass last year's $4.11 a share, suggesting that dividends may match the 1952 payment of $2.80 or even may amount to $3 for the year.

Beatrice Foods has embarked on an expansion program with the acquisition of Creameries of America and smaller independent dairies. Growth in sales seems assured as new territories are opened to exploitation. Earnings show promise of rising satisfactorily over $3.67 a share for the latest fiscal year and dividends may duplicate the 1952 payout of $2.25 a share.

General Foods is the leader in packaged foods other than dairy products. Emphasis is placed on coffee, cereals and other items having broad market appeal suitable for distribution in grocery channels. Growth in development of new products and in acquisition of small independent units appears a logical expectation. Management appears keenly aware of the potentials in serving the mass consumer market through grocery outlets in large shopping centers. Further enlargement of sales in the year ending next March is anticipated and it would seem reasonable to count on higher earnings than the $4.31 a share for the year just ended. An increase in the regular 60-cent quarterly rate rather than continuance of extras such as the

one just paid would seem probable. A stock split seems within the realm of posibility in due course.

Standard Brands has maintained its competitive position by pushing its coffee sales as well as by concentrating on puddings and similar products having universal popularity. Prospects for stimulating consumption of yeast are regarded as limited. Modest improvement in earnings may be achieved this year. Dividends seem likely to follow the 1952 pattern of $1.70 a share.

California Packing, Libby, McNeil & Libby and *Stokley-Van Camp* are leading vegetable and fruit canners. Removal of price ceilings and continued strong consumer demand contributed to profitable operations in recent months, and the absence of large inventories from last year's pack is regarded as favorable for the current year. Prospects for modest improvement in earnings are regarded as fairly good unless adverse weather should nullify the forecast.

Among corn refiners, *Corn Products Refining, Clinton Foods* and *Penick & Ford* are the leaders. The outlook for abundant supplies of raw materials at reasonable prices is reassuring. Con sumer demand seems likely to remain strong. With the benefit of wider margins, Corn Products should be able to record the best earnings shown in several years. Maintenance of the $3.60 dividend seems assured. Clinton Foods may earn almost $4 a share for the year ending in September, against $1.50 last year, suggesting hope of an increase in the $1.20 dividend rate. Penick & Ford likewise should improve its earnings results and encourage hope of a year-end extra dividend.

Among bakers and millers, *General Mills* is a leading factor with sales expanding to almost $500 million annually. Aggressive promotion of specialty products distributed in packaged for retail markets has enabled the company to combat narrowing profit margins on bulk flour sales. Earnings should benefit from lower raw materials cost and from operating economies. Net seems likely to range slightly above $4 a share in the coming year, affording amole margin for the recently increased $2.50 annual dividend.

Pillsbury Mills, second leading factor, also is believed to have felt the favorable effect of reduced grain costs. Management has sought diversification through acquisition of companies specializing in prepared flours and mixes for home baking. Moderate earnings improvement seems a reasonable expectation. The $2 dividend appears amply protected.

National Biscuit is the largest factor in production of crackers, cookies and similar baked goods, which have gained increasing popularity as rising national income has stimulated consumption. High distribution costs have imposed a serious handicap in recent years and have necessitated construction of modern bakeries to permit greater use of mechanical facilities to combat rising costs. Distribution policies also have been altered in a search for economies. Earnings show promise of increasing moderately despite keen competition, and the $2 dividend appears well protected.

Sunshine Biscuits and *United Biscuit* have been bolstering their competitive positions in concentrating on large markets while leaving smaller customers for others. This policy affords savings in distribution costs. Moderate improvement in earnings seems a reasonable prospect for both companies this year. Sunshine may boost net profit to $6 a share or more. Dividends seem likely to hold at the $4 annual rate. United could earn as much as $4.25 to $4.50 a share, affording ample coverage for the $2 dividend.

Continental Baking and *General Baking,* leading bread bakers, are expected to benefit from maintenance of strong consumer demand as well as from favorable trends in raw materials. Competition remains keen, however, so that no sensational improvement is in prospect.

For Profit and Income

(*Continued from page* 515)

board Air Line, L. S. Starrett, Universal Cyclops Steel; and by a number of utilities, including American Natural Gas, Detroit Edison, Philadelphia Electric, Public Service of Colorado and United Gas Improvement. A fair number of companies paid June extras either larger than a year ago or against none a year ago.

Aluminum

There may be wide further growth ahead in utilization of aluminum; and, in any event, growth potentials exceed those of other metals, with the exception of titanium, which so far remains a high-cost "infant". However, aluminum demand is subject to sharp cyclical fluctuation, as is true of all industrial metals; capacity has been hugely expanded; and the market is now competitively shared by Aluminum Company of America, which long had a virtual monoply. Reynolds Metals and Kaiser Aluminum & Chemical. In sales and assets, Aluminum Company is roughly twice as big as Reynolds, and the latter roughly twice as big as Kaiser. All three of these stocks have had major advances in recent years. Reynolds is the most moderately priced on present earning power. All are low dividend-yield issues. There can be a glut of aluminum some day, although the time is conjectural. It would make more sense to buy aluminum stocks on a cyclical market decline than to reach for them.

Income

Here are a few good-grade stocks: American Chicle, American Gas & Electric, Beneficial Loan, Melville Shoe, Ohio Edison, Pacific Lighting, Public Service of Indiana, United Biscuit, Woolworth.

IN THE NEXT ISSUE

15 Sound Low-Priced Stocks

—A special selection of good-grade stocks selling between $20 and $25 a share and with a favorable margin of earnings over dividends.

Must We Go It Alone — After All?

(*Continued from page* 501)

war in Indo-China. They feel that the negotiations with the communist Ho-Chi-Minh cannot be much more difficult than France's negotiations with her own Indo-Chinese allies. "Why Die For Indo-China?" asks the Frenchman, now that Indo-China is to be fully sovereign." Let the United Nations or the United States take over." One reason for this defeatist attitude is the heavy drain of the Indo-Chinese war on France's finances. According to the London Economist, France has spent on an average some $1,250 million a year for the conduct of the hostilities in Vietnam, or about twice as much as she received annually under Marshall Aid. In proportion to manpower and national resources, France's burden in Indo-China has been several times as heavy as that of the United States in Korea.

The end of the war in Indo-China could (1) put French finances on a sound basis almost overnight and end the enormous budget deficit and (2) strengthen the French position in the European Army. Inflation generated by France's budgetary deficits (covered by borrowings from banks rather than from the public who lack confidence in the currency) is the real reason for the succession of cabinet crises and the deterioration of the economic situation.

French Industrial Activity

The economic recession has carried French industrial activity below last year's levels and is reflected in the rise of unemployment. It is mainly due to declining sales on the home market and to a drop in exports. France is today probably the most expensive country to live in in Europe. Prices are too high for the people at home to pay, and are taking France out of foreign markets. A serious drop in tourist earnings is also expected.

The elimination of the budget deficit would unquestionably arrest the present unfavorable trend, particularly if accompanied by a deflation of French prices. According to expert opinion a 15 to 25 per cent drop in prices would restore France's ability to compete in foreign markets. In case nothing is done about the budget – the alternative is a new devaluation of the franc.

Toward a New International Balance

This short survey of political and economic trends now at work in Europe was written principally to show how the relaxation of international tensions has been followed by the appearance of national and local demands and considerations. Europe is re-asserting her international role. We must not be too harsh judges however. Here in this country we are having our own nationalist revival, reflected in the demand for the liquidation of foreign aid, impatience with the United Nations, and the suggestions that we "go it alone" in Korea if need be. The old isolationism is reasserting itself, though perhaps in somewhat modified form. Trends may take some time to become clear, but there is no doubt that something new is shaping up on the international scene.

Trend of Events

(*Continued from page* 484)

measures to protect balances of payment, quotas and the like.

As a result of these restrictions, international trade has not kept pace with production. Thus, while in 1929 (the best pre-war year) 30% of all primary products and manufactures entered international trade, by 1951 it had dropped to 26%. An even more striking illustration is offered by manufactured goods of which 26% entered international trade whereas in 1951, the figure was only 16%. If this trend should be continued, the basis would have been laid for serious over-production in the nations most affected, despite the great needs for goods among the under-supplied nations. It should also be realized that the situation would have been even less satisfactory were it not for the fact that the United States has financed ten percent of all international trade from 1945 to 1952.

It is obvious that every effort must be made to restore the natural flow of international commerce, as it existed before the depression of the twenties, unless the world trade situation is to

(*Please turn to page* 532)

Trend of Events

(*Continued from page* 530)

worsen. Very great strides have been made and are continuing to be made in increasing the productive capacity of the individual nations. Unless this is matched with an equal increase in international distribution of the goods produced and manufactured, deterioration in their economic position may set in. While the governments are busily occupied with policies involving political and military planning, let them pay equal heed to the equally fundamental problem of setting the house of international trade in order.

THE INFORMATION WOULD BE USEFUL . . . While the President has wisely seen fit to revive the Council of Economic Advisers, it appears that this body will issue only one complete report instead of two, as heretofore. The mid-year report will be dropped and only the annual report, required by law, will be issued.

We think this is a mistake. Under the Truman Administration, the Council prepared for his use both a semi-annual and an annual report on the economic state of the nation. Unfortunately, any benefits these reports might have conferred were vitiated by the obvious political coloration of the conclusions derived therefrom and disseminated for public consumption. This has been a practice that will be eschewed by the present Administration, and it can be relied on to publish its findings based on actual conditions. Consequently, businessmen and economists have been eagerly looking forward to receiving the estimates of the new Economic Council. This is particularly understandable because the rapidity with which economic conditions are changing, emphasizes the need for as much timely information as possible, especially when it bears the imprint of the Administration.

The reports of the Economic Council have a special value in that they are based on a broad estimate of economic conditions and trends by experts close to the government. Since Congress intended this body to furnish the President with the latest and most authoritative economic information in convenient and useful form, it may be assumed that the reports can possess unusual significance. They are, therefore, all the more welcome by those whose job it is to assess economic trends. Obviously, a year is too long to wait for these potentially valuable estimates. Since it is now too late to have a mid-year report published, we suggest that the Council prepare an interim report. Even if not as voluminous as the formal reports, it will still possess great practical value, particularly in the approaching period of business uncertainty.

As I See It!

(*Continued from page* 485)

that within the Soviet Empire forces are working that may some day radically alter the nature of the Bolshevik regime. One such force is the Great-Russian, or Moscovite as distinguished from White-Russian and Little-Russian or Ukrainian) nationalism. The Red Army Marshals – Zhukov, Timoshenko, Tolbukhin, Sokolovsky, with the possible exception of Bulganin who is also a politician—showed in the last war that they were Russian patriots first and communists afterwards. The Red Army may have looked with disfavor at Beria's intrigues and machinations whereby he bid for support of non-Russian minorities by promises of concessions. Who knows but that the generals opposed the weakening of Russia at this stage of the cold war? Furthermore Red Army is reported to have been dissatisfied with the way things were handled in East Germany.

The Real Victor

At any rate it seems to us that Malenkov is not wielding all the power in present-day Russia. It was the Red Army rather than Malenkov that was the real victor in the show-down with Beria's private army. The question is now, will the Red Army continue to support Malenkov? Will Malenkov be a dictator by the grace of the Red Army? Future developments will show.

The ascendancy of the Red Army in Russia during the period of relatively weak dictatorship may have far reaching repercussions on the relationship of the communist and Free World orbits. While there may not be any weakening of Russian military might Malenkov at the instigation of the Red Army may in due time move to carry out some of Beria's plans; this has almost invariably happened in the past; the victor adopting his rival's program. Hence it is quite possible that we shall see some relaxation in the collectivization policies in the satellite states, the slow-down in the russification of minorities and above all, some expansion in the production of badly needed consumer goods at the expense of rearming. Armies are usually guided by nationalist rather than doctrinaire motives. If the Red Army is in the ascendancy in the Soviet Union, as we believe it is, it is quite possible that Russia will stress international communist revolution less and concentrate more on the raising of the living standards of the long suffering people of Russia.

BOOK REVIEWS

I JOINED THE RUSSIANS

By Count Heincich von Einsiedel

In this book, the grandson of Bismarck, shot down over Stalingrad after destroying 35 Russian planes, tells how he and other captured German officers —including high ranking generals— worked in Soviet prison camps to form the Free Germany Committee for splitting the German armies from both Hitler and the West. In diary form, he recounts his own conversion to Communism and the clever and resourceful moves of the Russians and their German aides in the propaganda work of the Committee. Count von Einsiedel broadcast to the German troops from the Russian front lines, accompanied the victorious Red Army across eastern Europe into Germany, and after his delayed postwar release, served on the staff of the Russian-controlled newspaper in Berlin. He was imprisoned by the Americans for four months in 194[illegible] and after his discharge, he renounced Communism and resigned from the party to become a neutralist, with a wary, unenthused eye on both the West and East.

This is a dramatic eyewitness story about one important sector of what has become the battle for the world—a guide to the techniques of power, fear and persuasion with which the free world will have to deal.

Yale $4.0[illegible]

f
y
.

URE

dreds o

the fiel
lping its

GH, PA